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R.O.B.

US DOLLAR EDITION

The Chairman's statement, Directors' report and the audited accounts were issued to stockholders on April 6, 1976. This edition utilises the same narrative with arbitrary conversion of sterling to US dollars and metric tons to barrels.

The British Petroleum Company Limited Annual Report 1975

BP

The British Petroleum Company Limited
Annual report and accounts

Contents

Basis of translating £ sterling to US dollars

Figures shown herein in US dollars have been translated from the sterling figures appearing in the Annual Report and Accounts of the company at the December 31, 1975 rate of exchange \$2·02 = £1 and it should not be construed as a representation that the amounts of the pound (£) sterling accounts represent, or have been or could be converted into, US dollars at this or any other rate.

The BP Group

BP is the biggest industrial concern in the UK and ranks seventh largest of the industrial companies in the non-communist world and second outside the US, on the basis of sales proceeds. The group comprises over 650 subsidiary and associated companies and operates in 70 countries.

At the beginning of January 1976 about 78,000 people worked for group companies world-wide. These included some 32,000 in the UK, nearly 6,000 with the BP shipping fleets, 8,500 in France, 6,500 in Germany and 6,000 in Australia and New Zealand. BP's US associate, The Standard Oil Company (Sohio), had 21,000 employees while other companies throughout the world in which BP has a minority interest employed a further 51,500 people.

BP has pioneered the discovery and development of several of the world's most important oil producing areas from Iran and Iraq to Alaska and the North Sea. Currently the group is exploring in 24 countries in four continents.

Most of the group's crude oil is obtained from the Middle East – Iran, Kuwait, Iraq, Qatar and Abu Dhabi – and Nigeria. Through purchase agreements with governments, the amount of crude oil available to the group has remained relatively constant and, with oil now flowing in increasing quantities from the North Sea Forties Field and start-up of the Prudhoe Bay Field in Alaska planned for 1977, the group is significantly diversifying its sources of crude oil.

The group operates one of the world's major shipping organisations. On 31 December 1975 BP owned 97 ships totalling about 8 million deadweight tons and had some 9·2 million tons on long-term charter.

Of the crude oil available to the group, currently about half is sold to third parties as crude oil and half is processed in BP refineries. These are located in 27 countries and include 13 wholly-owned refineries, a majority interest in six refineries with 100% processing availability, together with part ownership of 19 other refineries.

Products are sold principally in Western Europe – which accounts for 70% of the group's product sales – and in North, West and Southern Africa, Canada, Australasia and parts of the Far East. UK sales represent about 15% of the group's business, while BP meets over 10% of total EEC oil demand.

The BP Marine International service is one of the world's principal suppliers of fuels and lubricants to world shipping through arrangements at 320 ports, while Air BP is a major supplier to international aviation.

The group's large and growing interests in the chemicals industry include operations at seven centres in the UK and by associated companies in Germany, France, Australia, India and South Africa.

An important success for BP research has been the development of two processes to produce animal feed protein from petroleum sources. The group has protein production plants in the UK and France, with another larger plant being prepared for commissioning in Italy. BP is diversifying into other sources of energy, including coal, and into technology related to the group's present activities.

BP's interests in the US are mainly through its stockholding in Sohio. In Alaska, where BP has certain direct interests, Sohio's leases are estimated by independent consultants to contain some 54% of the oil reserves of the main reservoir of the Prudhoe Bay Field, the largest oil field ever discovered in North America. Sohio and BP together own a nearly 50% interest in the Trans Alaska Pipeline System. Sohio is a fully integrated company with sales of oil products totalling approximately 17·5 million tons a year in Ohio and adjoining states and the Eastern Seaboard. Sohio operates tankers and pipelines, owns and operates three refineries and has interests in chemicals, coal production, oil shale and uranium ore mining and processing.

Approximately 48% of the capital of BP is owned by the British Government and approximately 20% by The Bank of England.

When the government acquired its interest in 1914, the company's articles of association were amended to give the government the right to nominate two members of the board with power to veto any resolution. The government, however, pledged itself not to interfere in the company's commercial affairs, and undertook not to exercise the right of veto except in regard to certain specific matters of general policy. The right of veto has in fact never been exercised.

The Bank of England purchased its holding from The Burmah Oil Company Limited as part of the financing arrangements made by the Bank with that company on 23 January 1975. In connection with this transaction, while the Bank holds any of this stock, it has undertaken not to exercise the votes attaching to its holding and the government will not exercise a greater proportionate voting power in relation to other stockholders than it could have exercised hitherto. Further, it was publicly stated that it is not the government's intention that this transaction should change in any way the existing arrangements between the government and BP.

Notice of Annual General Meeting

Notice is hereby given that the sixty-seventh annual general meeting of the Company will be held at Britannic House, Moor Lane, London EC2Y 9BU, on Thursday 29 April 1976, at noon, for the transaction of the following business:

Resolution 1 **To consider and adopt the Report of the Directors and the Accounts for the year ended 31 December 1975**

Resolution 2 **To declare a dividend**

Resolution 3 **To re-elect Lord Inchcape a Director**

Resolution 4 **To re-elect Mr J W R Sutcliffe a Director**

Resolution 5 **To re-elect Sir Alastair Pilkington a Director**

Resolution 6 **To re-elect Sir James Menter a Director**

Resolution 7 **To authorise the Board to fix the remuneration of the Auditors for 1976**

By order of the Board
D A G Sarre, Secretary

Britannic House, Moor Lane, London EC2Y 9BU
2 April 1976

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.

A holding of debenture stock does not entitle a person to attend or to be represented at the meeting.

The dividend, if approved, will be paid:

(i) On 6 May 1976 to stockholders on the register on 2 April 1976 which will include transfers accepted for registration on that day.

(ii) On 20 May 1976 to holders of American Depositary Receipts of record on 2 April 1976.

The following information which is available for inspection during business hours at the office of the Registrar, Britannic House, Moor Lane, London EC2Y 9BU, will also be available for inspection at the place of the annual general meeting from 11.45 am until the conclusion of the meeting:

1 Register of interests of directors (and their families) in the share capital and debentures of the Company and its subsidiaries.

2 Copies of all contracts of service whereunder Directors of the Company are employed by the Company or any of its subsidiaries.

Board of Directors

***D E C Steel** DSO, MC, TD, Chairman
***M M Pennell** CBE, Deputy Chairman
***R W Adam**
Sir Lindsay Alexander
Marshal of the Royal Air Force The Lord Elworthy GCB, CBE, DSO, MVO, DFC, AFC
The Lord Greenhill of Harrow GCMG, OBE
The Earl of Inchcape
T Jackson
***C C F Laidlaw**
Sir James Menter FRS
Sir Alastair Pilkington FRS
***J W R Sutcliffe**
M J Verey TD
***P I Walters**

*Managing Director

Secretary
D A G Sarre

Registered Office
Britannic House, Moor Lane, London EC2Y 9BU

Bankers
National Westminster Bank Ltd

Solicitors
Linklaters & Paines

Auditors
Whinney Murray & Co

Depositary for American Depositary Receipts
Morgan Guaranty Trust Company of New York
23 Wall Street, New York, New York 10015

The Chairman's statement

Sir Eric Drake retired at the end of November after over forty years' service, during seventeen of which he was a Director. It was particularly gratifying that his period as Chairman culminated with the first deliveries of our North Sea crude oil and with the establishment of BP Oil as a separate refining and marketing company in the United Kingdom. The prosperity and reputation of our group is the best tribute that can be made to Sir Eric. It is a very great honour for me to succeed him.

The outstanding event of the year was the inauguration of the Forties Field, in November, by Her Majesty The Queen. Production from Forties reached a level of 70,000 barrels per day in December and is expected to achieve a target production rate of 400,000 barrels per day by the spring of 1977 which will be over one fifth of total United Kingdom requirements.

Compared with 1974 our profits declined significantly in 1975, even after disregarding the exceptional element of stock profits in the previous year. As anticipated, demand fell everywhere, especially in Europe, leaving a surplus of shipping and refinery capacity, which led to falling prices while rising costs had to be spread over smaller volumes.

In some areas there are now signs of an end to the recession, notably in the United States, Germany and Japan. In others, including the United Kingdom, recovery seems to be longer delayed, but the industry has probably seen the bottom of the decline in volume. Price rises to cover increased costs are essential if the industry is to be able to generate the cash required for long-term investment in new energy sources.

Current surpluses of oil and facilities however work against the need for price increases and also lead to a paradox in terms of national and international energy policies. In present conditions it is not easy for governments to give priority to conserving energy, to developing a new relationship between oil producers and oil consumers, and to the commitment of capital, all of which will be essential in the next ten years if the world is to avoid an energy shortage in the 1990s. It is encouraging that an attempt is being made in this direction through the International Energy Agency, the European Economic Community and the "North/South" Conference on International Economic Co-operation. The self-sufficiency of the United Kingdom in energy during this period will put it in a special position among major industrial countries. But even here the present discoveries in the North Sea will give the country no more than a breathing space in which to put its house in order, both for energy supplies and for economic viability.

I would now like to mention some points of particular interest. They are referred to in greater detail in the directors' report which gives comprehensive information about all aspects of the business.

We are vigorously pursuing a worldwide programme of exploration for new sources of oil and gas, and also for coal. We are also developing interests in several new geographical areas where we have not previously been active, including the Soviet Union where talks are in progress with a view to joint ventures in exploration and production. We are actively investigating new business opportunities in sectors where our skills and experience can make a special contribution.

Against the background of the world surplus of tankers, the group is fortunate in having only two Very Large Crude Carriers on order, both for delivery in 1976, and we have disposed of ships which were surplus to our requirements.

In refining and marketing, conditions have been difficult particularly in Europe. There is likely to be a surplus in refining capacity for many years to come both in this country and in Europe as a whole.

In petrochemicals there was a sharp decline in sales due to the recession and plants have been operating at 60% of capacity. But by the end of the year demand was picking up and signs are that this recovery is being maintained as customers rebuild their stocks.

The target date for oil to flow from Alaska is mid-1977 and we are confident that this will be achieved, although the delays which have occurred have inevitably led to increased costs. This year we shall begin to receive profits and cash flow from the North Sea.

The government has repeatedly stated that companies will financially be "no better and no worse off" as a result of its proposals for participation in their North Sea production. On the basis of this assurance, we announced in July that we accepted the principle of participation and talks designed to reach an agreement to give effect to this are continuing.

When The Bank of England acquired shares in the Company in January 1975, the government stated that it was not its intention that this transaction should change in any way the existing arrangements between the government and BP. I believe it desirable that these shares should be disposed of as soon as possible.

The foundation of the Company's future prosperity depends on our meeting the progressively increased scale and escalating costs of major energy projects. We have to recognise that there is a time-lag before these investments begin to contribute to our profits. At the end of September this unrewarded pre-investment totalled over £800 million in the North Sea and BP's share of Alaska alone.

The Board has, in addition to Sir Eric Drake, suffered the loss of two of its members whose respective contributions to the group's affairs were outstanding and whose counsel will be sorely missed. Lord Trevelyan retired at the end of December on reaching the age of 70. During his ten years as a Director, his firm support and his unsurpassed knowledge of international affairs have been of immeasurable value. Sir Val Duncan died suddenly in December. We greatly regret that we only had the benefit of his creative mind and experience for two years.

We attach much importance to the role of the non-executive Directors on our Board and we consider it beneficial to have them in the majority. I am therefore glad to welcome Sir Alastair Pilkington, FRS, Chairman of Pilkington Brothers and Sir James Menter, FRS, Director of Research and Development of Tube Investments, as non-executive Directors. I also welcome Mr J W R Sutcliffe as a Managing Director. Mr Sutcliffe, who is 52, was trained as an economist and joined the Company in 1951 since when he has had wide experience in production and management matters especially in the Middle East. At the end of November, Mr M M Pennell, who has been a Managing Director since 1972, became Deputy Chairman.

In conclusion, since this is my first statement as Chairman, I should like to give you some indication of our attitude to organisation and to people. We are taking steps to adapt our organisation to meet the changing circumstances in which we now do business. We are pursuing a policy of decentralisation to operating units at home and overseas. Greater delegation at all levels throughout the group will provide more opportunity for individual initiative and so enable a more prompt and flexible response to be made to changing conditions, without losing the essential cohesion of the group. We continue to pay great attention to safety, health and the protection of the environment and to the maintenance of good relations with the governments and communities of the countries in which we operate.

The group cannot prosper for your benefit unless it has performed well in these matters. Above all we are dependent on the skills and abilities of the men and women who work for us world-wide. The increasingly stringent business environment will require the full use of their talents. In our re-organisation, we are seeking continuously to improve our communications with employees, and to create opportunities for their closer involvement in and commitment to the prosperity of the group. This year, for the first time, in addition to the Report and Accounts for Stockholders, we have produced a special edition for employees in the United Kingdom. The achievements outlined above would not have been possible without the vigorous response of our people throughout the world to the demands placed upon them. In a number of countries our ability to recognise their contribution has been restricted in various ways by incomes policies, combined with the effects of inflation and taxation. I should like to convey my personal thanks as well as those of my fellow Directors to all who work for the group and who continue to give unstinting effort.

DAVID STEEL

18 March 1976

Highlights

		1975	1974
Sales	million barrels per day	**3·5**	4·2
Income before extraordinary items	$ million	**293**	962
Per barrel sold		**23 cts**	61 cts
Per gallon sold		**1 ct**	2 cts
Per unit of ordinary stock		**$0·75**	$2·48
As a percentage of average net assets (stockholders' interest)		**5·5%**	19·8%
Ordinary dividends			
Interim		**13 cts**	12 cts
Final recommended		**23 cts**	22 cts
		36 cts	34 cts
Return after tax on average capital employed		**6·2%**	17·2%
Capital expenditure	$ million	**1,594**	1,211
Government take — Middle East and Nigeria	$ million	**10,998**	11,292
Contribution to the UK balance of payments	$ million	**374**	444

On 3 November 1975 HM The Queen graciously inaugurated production from BP Forties Field, the first major oilfield in the British sector of the North Sea. All land facilities associated with Forties are finished and, offshore, most of the difficult tasks, including the emplacing of four platform jackets in less than one year, have been successfully completed. More than 1,000 men are currently working offshore on Forties development to bring the field into full production next year.

HM The Queen inaugurates Forties Field from the control room in BP's exploration and production headquarters at Dyce, Scotland.

Report of the Directors

The directors submit their sixty-seventh annual report and the accounts for the year ended 31 December 1975.

Trading conditions and results for the year

Crude oil prices set by the OPEC countries, from which the bulk of the group's crude oil is acquired, were held constant for the first nine months of 1975 but in October a general increase of approximately 10% was applied. However, in the face of excess production capacity some producing countries have been willing to review their crude oil prices in response to market trends. Over the year the cost of crude oil to the group increased by approximately $1 per barrel, but due to changes in currency values the cost expressed in terms of sterling increased from £33 per ton at the beginning of 1975 to over £41 per ton by the year end.

As a result of higher crude oil costs and the general pressure of inflation there has in most countries been an overall increase in prices in terms of national currencies, particularly during the second half of the year. This has generally been insufficient to improve profitability when account is taken of the increased cost of crude oil due to the relative strengthening of the dollar, the basic currency of pricing and payment for oil supplies.

With continuing industrial recession and consequent low demand for oil products the group and the industry have faced substantial surpluses in shipping, refining and marketing capacity. As a result, margins on product sales have remained at the low level experienced in the latter part of 1974 which are inadequate even to remunerate existing investment. In some cases margins were further depressed through the operation of government price controls responding only slowly and incompletely to cost increases.

Total sales by the group of crude oil, refined products and chemicals of 3·5 million barrels a day (b/d) were 17·8% down on 1974. Of this total, crude oil sales of 1·7 million b/d were 23·9% lower reflecting not only the generally depressed demand from consumers, but also an increased volume of direct sales by OPEC countries. Product sales amounting to 1·8 million b/d were 10·8% lower than in 1974. The trend in sales volume through 1975 does, however, provide some evidence in support of the view that an end to the general decline is in sight and that some recovery will occur with increased economic activity in 1976. More detail of group sales from 1966 to 1975 is provided in the table on page 37.

The group profit of $293 million for 1975 is the equivalent of 23 cents per barrel on total sales compared with the rate of 61 cents per barrel for 1974, ignoring the effects of inflation. Profit margins have fallen on both crude oil and product sales with product contributions contracting even when the non-recurring stock profit estimated at $353 million in the 1974 result is excluded. The profitability of the group's chemical interests also fell significantly in 1975.

Against this year's group profit rate the average take of revenue from the business by producer governments was $8·49 per barrel and by consumer governments $2·74 per barrel. Over the year collection and payments to governments by the group totalled $14,544 million representing around 75% of the total price paid by our customers.

Salient features for the year were:

Figures in $ million	**1975**	1974
Net sales proceeds	**15,718**	15,776
Income before extraordinary items	**293**	962
Extraordinary items after taxation	**43**	23
Net income of the group	**336**	985

The extraordinary item in 1975 is in respect of the sale of certain of the group's Norwegian assets; the $23 million in 1974 was in respect of production interests transferred or taken over.

Report of the Directors (continued)

Chemicals have been one of the group's major areas of capital investment in recent years. Currently developments are taking place at Teesside and Grangemouth. Trading conditions were difficult for much of 1975 but there were signs of some modest improvement in sales at the year end.

The Grangemouth factory of BP Chemicals International.

Income allocation and dividends

Of the $336 million net income, $156 million is retained in subsidiary companies and $180 million is dealt with in the accounts of the parent company. The preference dividends and the interim ordinary dividend paid in November aggregate $50 million.

The total ordinary dividend distribution last year was 34 cents per stock unit. The interim dividend for 1975 was 13 cents (an increase of 1 cent) and in view of dividend restrictions which limited the distribution to stockholders last year notwithstanding the improved level of profits, your directors feel justified in now recommending a final dividend of 23 cents (an increase of 1 cent) per £1 ordinary stock unit. These aggregate 36 cents which is the maximum permitted under present United Kingdom legislation. However, the law requires that the rate of advance corporation tax applying at the date of payment of dividends be taken into account in arriving at the maximum permitted increase and the amount of the recommended final dividend presupposes that there will be no increase in the present rate of advance corporation tax.

Inflation and the results

While awaiting the recommendations of the Morpeth Committee established to examine the implementation of the Sandilands Report on Inflation Accounting, it has been decided to include a current purchasing power statement (pages 34 to 35) in the form used for the first time last year. This shows that the group's result before extraordinary items, when adjusted to the current purchasing power basis of accounting, becomes a loss of $67 million which emphasises the need for increased profit margins.

Capital expenditure and finance

Capital expenditure by subsidiary companies in 1975 amounted to $1,351 million and the group's proportion of capital expenditure by associated companies was $243 million, a total of $1,594 million ($1,211 million).

Finance debts at $3,403 million have increased by $248 million due to changes in currency values and by $640 million net additional borrowing, of which $494 million related to the Trans Alaska Pipeline System (TAPS) and $150 million was in respect of a public offering made in the US by a wholly-owned subsidiary company of Guaranteed Notes and Debentures. Further advances for North Sea oil under the Forties Field financing arrangements amounted to £70·3 million and $182·8 million.

At 31 December 1975 the group had substantial amounts of undrawn borrowing facilities available including approximately $1,172 million ($707 million) which was covered by formal commitments.

A five-year capital expenditure and source and application of funds statement appears on page 33.

Government take – Middle East and Nigeria

In respect of Middle East and Nigerian oil, of which substantial quantities are purchased from the governments, it is estimated that the government take from oil sold to the group, royalties and taxation amounted to $10,998 million for the year compared to $11,292 million in 1974 the reduction being primarily due to the decline in crude oil liftings.

Taxation

Provisions have been made in the 1975 accounts for future tax liabilities anticipated to arise from the year's operations. These provisions are in line with the recommendations concerning deferred tax made by the Institutes of Chartered Accountants in the UK.

Account has been taken of new tax legislation enacted in the UK during 1975 concerning the separation for taxation purposes of UK domestic production of oil and gas, the introduction of petroleum revenue tax, the requirement to use statutorily defined arm's length prices as the basis of assessing the tax liability on much of the group's trade and the cancellation of past tax losses.

Contribution to the UK balance of payments

The benefit to the UK balance of payments in 1975 from group activities is estimated at $374 million ($444 million). Of this amount, $323 million resulted from overseas activities, including exports from the UK, and $51 million represents the estimated saving to the country from the group importing oil for consumption within the UK and the commencement of domestic production, as compared with the foreign exchange cost of buying such quantities from a foreign based oil company.

Exports of oil products and chemicals from the UK were valued at $442 million and $119 million respectively. These figures by themselves are not indicative of the group's contribution to the UK balance of payments.

Production interests

An agreement was reached with the Kuwait Government whereby it would acquire all the remaining interests of BP and Gulf under the concession in Kuwait as from 5 March 1975, subject to ratification by the Kuwait National Assembly. Under the terms of the agreement BP becomes a long-term purchaser of crude oil.

On 8 December 1975 the Government of Iraq promulgated a law purporting to nationalise the remaining assets of the Basrah Petroleum Company in Iraq, including BP's 23·75% interest.

Sale of Norwegian assets

In response to an initiative by the Norwegian Government, we have sold our 50% holding in Norsk Braendselolje A/S for approximately $55 million. Some assets were not included in the sale and have been retained in a new wholly-owned company, BP Norge A/S, established to continue and develop specialised trading activities, in particular sales of lubricants and chemicals and sales to the Norwegian shipping industry. We are also actively engaged in exploration on the Norwegian Continental Shelf.

UK Continental Shelf

The first oil from the Forties Field reached landfall at Cruden Bay through the submarine pipeline in October 1975. The schedule for initial production of 40,000 b/d building up to 70,000 b/d by the end of the year was maintained.

The second two platforms for the development of the Forties Field were floated out and placed in position during the summer, making four platforms successfully installed in less than one year. Drilling commenced on Platform FA in June and by the end of the year four wells were producing and a fifth was being drilled. On Platform FC drilling started in January 1976 and is about to begin on Platform FB. Platform FD is partially piled and once weather conditions allow piling will be completed followed by module emplacement. More than 1,000 men were working

Report of the Directors (continued)

offshore on Forties development at the end of the year. All land facilities including the Hound Point Tanker Terminal were completed to programme. The present estimate of the cost of the development of the Forties Field, including drilling of the wells, is $1,515 million.

Development of the Ninian Field east of the Shetlands continues. BP is responsible for constructing the 182 kilometre submarine pipeline from Ninian to the proposed terminal in the Shetlands and some 66 kilometres have now been laid by the Viking Piper laybarge. In November 1975 BP was appointed constructor of the Shetland terminal at Sullom Voe on behalf of the Sullom Voe Association which includes both Brent and Ninian Pipeline groups.

On average three rigs were active in an increased exploration drilling programme in 1975, but this was reduced to two rigs at the end of the year. East of the Shetlands two exploration wells in the joint BP/Ranger Ninian block found some oil, but neither find can be regarded as commercial. Northeast of the Forties Field the western extension of the Andrew Field into the adjacent block held by the Phillips group was proved. Ten other exploration wells were abandoned. Two of them found some oil but further drilling will be required to determine whether either discovery is commercial. Northeast of the Shetlands the first appraisal well on BP's Magnus discovery confirmed the presence of a significant oilfield but several more wells will be required to assess the size of the accumulation.

Developments in the United Kingdom and the Republic of Ireland

BP's oil marketing activities in the UK, previously operating separately as BP Marketing Limited within Shell-Mex and B.P. Limited, were transferred to BP Oil Limited, a subsidiary of the group, on 31 December 1975. BP Oil Limited, which now incorporates National Benzole Company Limited as a wholly-owned subsidiary, trades under the BP, National and other brands, operating from a new head office, BP House in Victoria Street, London.

BP Oil Limited also controls the four UK refining companies and now operates as an integrated company responsible for supplying, refining, distributing and selling BP petroleum products throughout the UK.

BP has a 50% interest in a new company, British Pipeline Agency Limited, which operates storage tanks and some 2,400 kilometres of oil product pipelines in the UK on behalf of the government, NATO and other users. The agency also acts in an advisory capacity to overseas governments.

Forming part of BP Oil Limited is the road-making bitumen operation located at the Isle of Grain, Kent, acquired from Berry Wiggins & Company Limited during 1975, and BP Aquaseal

Construction of the trans-Alaska pipeline made excellent progress during 1975 and by the year end the pipeline part of the project was over 55% complete. Start-up of the system is planned for mid-1977.

An elevated section of the pipeline.

Limited, a jointly-owned company for the production and marketing of specialised bitumastic material.

In the Republic of Ireland a new group subsidiary, BP Ireland Limited, has been formed responsible for supplying, distributing and selling BP petroleum products throughout the Republic.

Developments in the USA

The group's principal interest in the US is its shareholding in The Standard Oil Company of Ohio (Sohio). This holding, on which dividends became payable from 1 January 1975, is at present equivalent to approximately a 26% interest in Sohio. The interest will rise to approximately 54% when production from Sohio's Prudhoe Bay leases reaches 600,000 b/d, net of the State of Alaska's royalty entitlement.

Extracts from Sohio's 1975 Annual Report and Accounts to Stockholders are given on pages 38 to 41.

Construction of the 800 mile trans-Alaska pipeline, the pump stations, and the terminal facilities at Valdez at the southern end of the pipeline, continued throughout 1975. Installation of the pipe began in May 1975 and the pipeline part of the project was over 55% complete by the year end. Construction of pump stations and terminal facilities has continued to schedule. Start-up of the system is planned for mid-1977 at 600,000 b/d and capacity will be increased to the initial design level of 1·2 million b/d by the end of that year. The pipeline has a planned ultimate capacity of 2 million b/d. BP has a direct interest of 15·84% in the pipeline and Sohio 33·34%.

In January 1976 a revised estimate was announced of approximately $7,000 million for the construction of the pipeline system to its initial design capacity, excluding capitalised interest. Based on this revised estimate, BP's undivided share of the construction costs is expected to be about $1,110 million, and Sohio's $2,300 million.

A finance company, owned jointly with Sohio in proportion to our respective pipeline interests, was formed in 1974 for the sole purpose of issuing debt securities and has so far raised in the US $500 million by means of public debt issues and by end 1975 $1,055 million from part of a private placement of $1,750 million. In addition the BP group independently has bank lines of credit of $450 million of which $350 million was unused at 31 December 1975.

Marketing

In many markets our product sales have been affected by the general world economic recession and the resulting fall in demand for oil. Recession apart, oil users have been seeking to effect economies in the light of the very large price rises which have inevitably followed from the OPEC members' increase in the price of crude oil. This situation has, as mentioned earlier, led to a substantial surplus of capacity in tankers, refineries and distribution facilities which, coupled with the high rates of inflation prevailing in so many parts of the world, has meant that our unit costs have tended to increase rapidly.

Retail automotive markets have, however, shown a degree of resilience and in many areas the volume of demand recovered during the year and in some cases has surpassed immediate pre-October 1973 levels; trading, however, has become more difficult with severe price competition prevailing in many markets. Every effort continues to be made to counter the erosion in sales proceeds by an even closer control of costs and overheads and by pruning those parts of networks which studies have shown to be uneconomic. In all countries industrial markets have been particularly affected by economic recession, but in the heating oil market there are signs that demand may be stabilising, with a prospect of renewed, albeit modest, growth in the future.

In Europe, product sales by group companies overall were some 10% lower than in 1974. In the high value product sectors BP companies held their market position but a small loss of share was experienced in fuel oil, particularly in the bulk sector. Oil trading results throughout Europe were generally unsatisfactory, with heavy losses being incurred on a high proportion of group sales in the area, notably in Germany and France.

In Australia and New Zealand, government price controls have recognised the need for cost increases to be recovered in the market and our marketing companies have been able to

maintain their positions and improve their earnings. A significant improvement in sales performance has also been achieved in Malaysia, though we are still prevented from recovering all crude oil cost increases.

Olex Lubricants Limited, our newly formed company jointly-owned with Bridgestone LPG, has started marketing BP automotive and industrial lubricants in Japan, the world's third largest lubricants consumer.

BP Canada has continued to trade profitably, though difficult trading conditions and delays in obtaining permission to pass through the Federal Government approved increase in domestic crude oil prices, have resulted in a reduction in revenue from marketing and refining operations. This has to some extent been offset by increased income from production of oil and gas.

The BP and Shell marketing operations in southern Africa were separated in June 1975 and BP now trades independently in South Africa, South West Africa (Namibia), Botswana, Lesotho and Swaziland. In addition, the management of their joint marketing interests in Mozambique was taken over by BP from Shell in 1975.

Group companies in a further eight countries have joined those in the UK and France in marketing BP oil-based crop protection products. A new product, Ulvapron, has been launched for users of ultra-low-volume crop spraying techniques. These techniques ensure the best use is made of crop protection chemicals while reducing potential damage to the environment.

Despite the general recession, operational economies introduced by the airlines and increasing competitive pressure, we were able to maintain our overall market share in aviation sales but price levels generally were lower.

General world trade recession and the particularly depressed state of the tanker market resulted in a significant decline in the volume of bunkers delivered to international shipping during 1975 and, to a lesser extent, in our sales of marine lubricants. During the year Odessa and Leningrad were added to our list of marine lubricants supply ports.

In several countries the group is diversifying into selling services and equipment associated with the conservation of energy, such as insulation, double glazing and plant operating and maintenance services.

Sources of crude oil

In 1975 the group lifted 3·4 million b/d compared with the 1974 total of 4·4 million b/d. The Middle East provided 2·7 million b/d, Nigeria 0·5 million b/d and 0·2 million b/d came from other areas.

The table on page 36 shows the sources from which the group obtained its supplies from 1966-1975.

In Nigeria, as well as the reductions in crude oil entitlements foreseen under the agreement on government participation, BP liftings were also affected by the government imposed conservation restrictions.

In Iran, where operations continued to be managed by the Oil Services Company, production capacity again increased by 5%. However, actual production declined by 12% compared with 1974.

The recoverable net reserves of crude oil available to the group at 31 December 1975 were estimated to be 20·2 million b/d excluding reserves owned by Sohio in the US. This is lower than the 1974 figure as a result of increased OPEC government participation. The figure includes reserves available through our minority equity interests in Abu Dhabi, Nigeria and Qatar but excludes government owned reserves in those countries and in Iran, Kuwait and Iraq from which the group obtains substantial crude oil supplies through purchase agreements.

Exploration

In Europe BP participated in new offshore drilling ventures in the Norwegian North Sea, in the portion of the Western Approaches of the Channel under French jurisdiction and in the

In retail automotive markets the volume of demand in most countries has now surpassed immediate pre-crisis levels, though trading has become more difficult with increased price competition.

A modern service station in Europe.

Mediterranean off Spain. Some oil was found in two wells drilled in the Italian Adriatic. Seismic work was carried out in the German, Dutch and Norwegian sectors of the North Sea and on the Irish Continental Shelf where new exploration licences were granted to a BP operated group. Onshore, seismic work and drilling continued in Germany and in the UK.

Further exploration work took place in Nigeria and the Middle East. BP withdrew from the venture in Turkey after drilling one well.

A modest exploration programme continued in Colombia. The venture in Peru was abandoned after drilling a third unsuccessful well. Off the east coast of Canada the group's first well offshore Newfoundland was abandoned and another well was commenced offshore Labrador. New exploration interests were acquired off the west coast of Greenland and field surveys carried out.

Offshore activity increased in the Far East and Australasia. Wells drilled with partners included four in New Zealand waters, one offshore Kalimantan and two offshore north west Australia, one of which discovered some oil and gas. Geophysical work was carried out in the Andaman Sea west of Thailand. Onshore, drilling programmes commenced in Papua and in Indonesia where the second exploration well encountered gas.

Exploration for uranium was carried out in Australia and Canada.

Natural gas

In New Zealand, the first gas from the Kapuni Field extension was delivered in February 1976 while development work on the Maui Gas Field, in which BP's shareholding is 18·75%, has continued and the first production platform was successfully placed in January 1976.

Construction of the 60,000 b/d Das Island liquefied natural gas plant has been delayed by two months but commissioning of support facilities commences shortly and the first product should be loaded in early 1977.

Coal

Coal exploration has continued during the year in Australia, Canada and southern Africa and an application has been submitted for a prospective area in South America.

BP Southern Africa (Pty) Limited has joined with Total Exploration South Africa (Pty) Limited and Trans-Natal Coal Corporation to develop a new coal mine in South Africa with a planned production of 3 million tons per annum. Further opportunities are being examined for production in Australia and exploration in Indonesia.

Report of the Directors (continued)

Sea transport

During 1975, we took delivery of four vessels totalling some 0·8 million deadweight tons (dwt), one 45,000 dwt ship foundered, and 19 older ships totalling in all about 0·9 million dwt were sold, all except one for scrapping. Since the end of 1975 we have taken delivery of two more VLCCs and the last two on order are due for delivery later this year. An analysis of the fleet is given on page 36.

World tanker tonnage is still substantially in excess of demand and, despite numerous cancellations of building orders, the surplus is expected to increase further as ships still under construction and on order are commissioned. This situation is bearing upon our own shipping position and steps have been, and are being, taken to contain the position.

All of our larger ships in service are expected to continue operating at reduced speeds throughout 1976. Three VLCCs and two products tankers are currently in lay up and are expected to remain so for the rest of the year. Since the end of 1975 further older smaller ships have been sold. Orders for two VLCCs scheduled for 1977 delivery have been converted into orders for four 20,000 dwt dry cargo ships for which arrangements have been made for chartering out on long-term bare-boat charters. Since the year end we have also sold three VLCCs and two products tankers to Iranian interests which, together with a similar number of owned ships, have been organised into a fleet of ten ships under joint BP/Iranian control.

Personnel numbers both ashore and afloat are being progressively reduced commensurate with the reducing size of our fleets.

Refining

During 1975, 1·6 million b/d of crude oil were processed on our account in our wholly and partly-owned refineries. A further 0·1 million b/d were processed for us by other refiners. The total of 1·7 million b/d compares with 2·1 million b/d in 1974. Details of the quantity of crude oil processed by area are given on page 37.

At the Schindler lubricants refinery at Hamburg, Germany, new plant has been commissioned for the manufacture of naphthenic lubricants. The smaller catalytic cracking unit at Antwerp refinery, Belgium, has been modified to increase conversion to distillate products.

At the Deutsche BP refineries at Hamburg, Dinslaken and Vohburg the process plant has been upgraded and augmented to enable these refineries to meet the more stringent statutory product requirements in 1976 and to conserve energy. During 1975 two major construction projects were initiated at the Durban refinery in South Africa. These are designed to upgrade

World tanker tonnage is still very substantially in excess of demand and the surplus is expected to increase. All our larger ships are expected to continue to operate at reduced speeds throughout the year.
Orders for two VLCCs scheduled for 1977 delivery have been converted into four 20,000 dwt dry cargo ships which we have arranged to charter out on long-term.

The British Explorer.

the yield from the refinery, in which BP has a 50% interest, in order to meet the increasingly distillate-oriented demand.

In the UK, crude oil from our North Sea Forties Field was received by pipeline at Grangemouth refinery in November and the first quantity was processed there later that month. A major project is in hand to extend the power station at Grangemouth refinery.

The capacity of the Rotterdam–Antwerp pipeline (BP share 27·8%) has been increased from 540,000 to 680,000 b/d.

Chemicals

The downturn in trading conditions first noted in the third quarter of 1974 persisted for most of 1975. Sales of chemicals in the first three quarters of the year were depressed both in home and export markets as customers ran down stocks. In the final quarter, there was an improvement in sales but this was due, in some measure, to restocking ahead of product price increases arising from the October OPEC oil price rise.

In the first three quarters of 1975, production at all BP Chemicals' UK sites was cut back to match reduced demand. In the fourth quarter, utilisation improved quite markedly but for the year as a whole, plants operated at only about 60% capacity.

Operating costs rose sharply during 1975 due mainly to substantial increases in the costs of personnel, feedstocks and fuel. Although legislation allows the recovery of certain cost increases, depressed trading conditions limited the degree to which product prices could be increased and profits suffered accordingly.

Satisfactory progress is being made on the construction of the joint BP Chemicals/ICI Teesside cracker which is expected to start commercial operation early in 1978. Work has also started on a joint butadiene extraction plant at Teesside, to process part of the cracker's production. At Grangemouth, construction continues on a 250,000 tons per annum (tpa) benzene plant due to commission in early 1978 and approval has been given for a new high density polyethylene (Rigidex) plant, initially of 54,000 tpa capacity, for completion in 1978.

Due to the general business recession, Erdölchemie in West Germany (BP 50%) suffered a sharp downturn in trading in 1975 with some measure of recovery evident towards the end of the year. Sales volume and turnover were about 70% of the 1974 level and trading results deteriorated markedly. During the year work commenced on a major expansion at Dormagen, involving a new olefins unit and ethylene oxide/glycols plants.

Deutsche BP's wholly-owned polyethylene film manufacturing company, Alkor-Oerlikon, also experienced a substantial drop in trade. During the year Deutsche BP acquired a 50% interest in a further polyethylene film manufacturing company, Polydress Plastik.

In France, the late 1974 downturn in trade continued to bite more deeply during 1975. For Naphtachimie (BP 30%) sales volume fell to 65% of the 1974 level with a corresponding reduction in turnover. During the year olefin capacity was increased and a new high density polyethylene unit was brought on stream.

Distugil (BP 50%) in the synthetic rubbers sector fared better than petroleum chemicals, with sales volume and turnover at nearly 90% of the 1974 levels.

Demand and prices for the products of the BP-California group (BP 50%) were severely depressed in 1975 due to the recession in synthetic fibres and in plasticisers. Despite some improvement in the fourth quarter, trading results were disappointing.

While trading conditions in the first half of the year were difficult, performance of the Sentrachem group (BP 20%) in South Africa improved in the second half. The group is undertaking a major investment in PVC.

Proteins

Construction of the 100,000 tpa Italproteine protein plant at Sarroch, Sardinia, is almost complete with commissioning of this BP/ANIC unit scheduled for the second quarter of 1976.

Report of the Directors (continued)

Production of Toprina continued at Grangemouth, while tests, aimed at increasing Lavéra's protein production capacity by changing the feedstock from gas oil to pure normal paraffins, are currently under way.

The joint studies examining the profitability of 100,000 tpa normal paraffin/protein complexes for Venezuela and Saudi Arabia are scheduled for completion in 1976.

Following BP's entry into the animal feed market through the acquisition of Cooper Nutrition Products and a majority shareholding in Trouw reported in 1975, downstream investment has continued with the group's purchase of Hakra, a German manufacturer of protein concentrates for pigs, and the acquisition of a 50% interest in Aliments Jouy, a French fish and animal feed producer.

Research and engineering

The changed emphasis for research introduced in 1974 to give greater attention to studies on fuel economy and energy sources continued during 1975. Further changes have reduced the amount of research in support of conventional refining processes and products, while additional effort is being aimed at offshore operations and at the diversification of our product ranges.

The decision to incorporate the research activities presently carried out at Great Burgh, Epsom, into the larger Sunbury research site should lead to economies and facilitate the reorganisation of our research.

BP has continued to support Combustion Systems Limited (CSL), the joint venture company established with the National Coal Board and the National Research Development Corporation for the commercial exploitation of fluidised combustion technology. Towards the end of the year agreement was reached with Babcock & Wilcox Limited for the establishment of a company, BCSL, to undertake development, study and nominated contract work in this field.

Application of the BP Effluent Treatment Process has been consolidated by the commissioning of plants at Antwerp, Lavéra and Mongstad refineries. Licences have been granted to, or are in advanced stages of negotiation with, third parties in the UK, Spain, Canada and France.

Purchasing

During 1975 the central purchasing organisation in the UK placed orders and contracts valued at $449 million of which $251 million was associated with UK Continental Shelf development. Of the total, $369 million (82%) was placed in the EEC including $292 million (65%) in the UK.

Energy conservation

Measures to improve the utilisation of energy have been taken by all major users of energy within the group – refineries and chemicals, shipping and marketing depots and the distribution network. Technical advice and assistance have been given to customers to enable them to reduce their fuel consumption while in its own offices and research centres BP has practised economy in energy consumption in line with the UK Government's "Save it" policy. Despite the operation of the group's facilities at well below design capacity the measures taken resulted in an 8% reduction in energy utilisation per ton of throughput in 1975 compared with the years before the energy crisis.

Diversification

In extending the group's diversification activities we are concentrating our search for suitable investments on areas of medium to high technology with a potential for high growth. During 1975 BP acquired a 45% share in Emerald Offshore Services Ltd., a company formed to participate in the growing offshore engineering field. Towards the end of the year agreement was reached for BP to purchase a 47·5% interest in Sub Sea International Inc., which operates internationally in deep-sea diving.

Environment

Care for the environment is of major importance in all our operations. In the Shetlands, BP is fully involved in the activities of the Sullom Voe Environmental Advisory Group which advises on the environmental aspects of the oil installations. BP actively supported the extension

As an extension of the group's diversification activities BP reached agreement in 1975 to purchase a 47·5% interest in Sub Sea International Inc., which operates in deep-sea diving.

Sub Sea International diving systems and personnel have provided diving support during the emplacement of the Forties Field production platforms.

Photograph by Martin Johnson Ltd

to all countries of northwest Europe of the Voluntary Industry Compensation Agreement relating to Oil Pollution Costs from Offshore Operation (OPOL). Through the Exploration and Production Forum, the company is playing its part in the discussions relating to an international convention on oil pollution costs from offshore operations.

During the year, the company further improved its procedures for ensuring that the environmental aspects of all new developments are fully taken into account before approval for capital expenditure is given. A procedure for the environmental audit of existing installations has also been developed. The company contributed papers and participated in the Oil Industry Environmental Symposium at Teheran held in April 1975 under the auspices of the International Petroleum Industry Environmental Conservation Association (IPIECA).

The group continues to try to ensure that all relevant information is drawn to the attention of governments and interested parties when restrictive legislation is proposed on environmental grounds. It is important that decisions are made in the light of all relevant available facts. For example, in the debates on the levels of lead in gasoline and sulphur in fuel oils there appears to be increasing recognition that the substantial capital expenditure and increased energy expenditures which would be incurred must be related to the alleged harm to the environment against which the restrictions are proposed.

Personnel

In all countries where the company operates, personnel policies are based on the philosophy that, subject to any legal constraints, there should be equal opportunity and that reward should be fair and competitive, irrespective of race or colour.

The accident rate to employees continues to fall, but the group is ever conscious that it needs to maintain its positive efforts to continue this trend. The involvement of all staff in joint consultation on health and safety matters has made a valuable contribution to our performance in this field. In recent years, BP has devoted particular attention to the control of potential health hazards associated with its manufacturing processes and products.

The average weekly number of persons employed by the group in the UK during 1975 was 24,924 and their aggregate remuneration for that year was $193 million.

Charitable contributions

During the year the group made payments in the UK amounting to $1,260,278. This included $800,364 for education (universities, colleges, business schools, etc.) and $77,138 for medical purposes.

Report of the Directors (concluded)

Directors

Sir Eric Drake relinquished his appointments as Chairman and a Director on 28 November 1975.

The Board appointed Mr D E C Steel Chairman, Mr M M Pennell Deputy Chairman and Mr J W R Sutcliffe a Managing Director as from 29 November 1975.

We have to record the death of Sir Val Duncan on 19 December 1975.

Lord Trevelyan retired from the Board on 31 December 1975, having reached the age of 70.

Sir Alastair Pilkington and Sir James Menter were appointed to the Board with effect from 1 March 1976 and 18 March 1976 respectively.

In accordance with the Articles of Association Mr Sutcliffe, Sir Alastair Pilkington and Sir James Menter retire and, being eligible, offer themselves for re-election.

Lord Inchcape retires from the Board by rotation and, being eligible, offers himself for re-election.

The present Directors of the Company are listed on page 3.

Directors' interests in the Company

Interests of the Directors in the stock and debentures of the Company are shown below. These include family interests; other interests (e.g. as a trustee) are indicated by an asterisk.

	Type of Stock	1 Jan 1975 £ units	31 Dec 1975 £ units
D E C Steel	Ordinary	1,066	1,066
M M Pennell	Second preference	400	400
	Ordinary	600	600
R W Adam	Ordinary	1,000††	1,000
Sir Lindsay Alexander	First Preference	1,000	1,000
The Lord Elworthy	Ordinary	1,066	1,066
The Lord Greenhill of Harrow	†Ordinary	1,000	1,000
The Earl of Inchcape	Ordinary	2,533	2,533
	*Ordinary	1,621	1,621
T Jackson	†Ordinary	1,000††	1,000
C C F Laidlaw	Ordinary	1,000	1,000
J W R Sutcliffe	Ordinary	1,000††	1,000
M J Verey	Ordinary	3,066	3,066
P I Walters	Ordinary	1,000	1,000

† held as nominee for HM Government

†† as at date of appointment

On appointment neither Sir Alastair Pilkington nor Sir James Menter had any interest in the stock of the Company.

None of the Directors had any interest in shares or debentures of subsidiary companies of the Company at 31 December 1975. Interests of all the Directors of the Company and their family interests do not, in the aggregate, in respect of either share capital or voting control, exceed 5% of the parent company or of any one subsidiary.

No change in the interests described above has taken place up to 18 March 1976.

Auditors

Whinney Murray & Co. are willing to continue in office.

By order of the Board
D A G Sarre, Secretary

18 March 1976

Accounting policies

There have been no significant changes in accounting policies since last year. However, modifications have been made with regard to stock valuation and deferred taxation to align with the respective Statements of Standard Accounting Practice issued in 1975 (see below).

Composition of Group Accounts

The group accounts comprise a consolidation of the accounts of the parent company and all its subsidiaries except for a number of minor companies the consolidation of whose accounts would cause undue expense and delay in presentation and whose income is insignificant. The investment in these minor companies is included in the group balance sheet with investment in associated companies.

A large number of subsidiaries are located throughout the world where their accounting practices are subject to local rules and conditions. Appropriate consolidation adjustments are made for material items where local accounting principles do not accord with those generally accepted in the UK.

In the case of associated companies there is included the group proportion of the income of those companies whose earnings are material, including The Standard Oil Company (Sohio) from 1 January 1975 (note 10). For other associated companies whose earnings are relatively small, dividends received are included.

Currency Conversion

Assets and liabilities expressed in currencies other than sterling are converted into sterling at the year-end rates of exchange.

Exchange fluctuations are included in the determination of income except those relating to the conversion of non-current assets and liabilities recorded in currencies other than sterling which are taken to reserves.

Stock Valuation

Stocks of oil and chemicals are valued at the lower of approximate group cost or net realisable value, using the first in, first out method. Depreciation is included in group cost for the first time in accordance with the Statement of Standard Accounting Practice No. 9 issued in 1975 by the Institutes of Chartered Accountants in the UK. This change increases the valuation by \$29 million at 1 January 1975 and is shown in these accounts as an adjustment to group reserves. Stocks of stores are stated at or below cost calculated mainly using the average method.

Depreciation and Amounts Provided

Properties and operating assets are depreciated either on a straight line basis, by the reducing balance method or in accordance with local fiscal rules and in the case of the North Sea Forties Field are being amortised on a unit-of-production basis. The result is that these assets are depreciated over their estimated useful lives or shorter periods.

Exploration properties are written off over the estimated period of exploration and full provision is made against the group's proportion of other exploration expenditure whether incurred directly by subsidiary companies or indirectly by associated companies.

Research

Expenditure on research and development is wholly written off in the year in which it is incurred. The amount in 1975 was approximately \$50 million (\$40 million).

Interest and Financing Costs

Interest and financing costs are charged against income except where there is dedicated financing of major projects under development when they are capitalised (note 2).

Petroleum Revenue Tax (PRT)

The charge for PRT (note 3) is calculated on a unit-of-production basis and until such tax becomes due for payment the provision is included in deferred liabilities.

Deferred Taxation

The basis on which the group provides for taxation has been reviewed to accord with the Statement of Standard Accounting Practice No. 11 issued in 1975 by the Institutes of Chartered Accountants in the UK and the effects of UK tax legislation enacted during 1975 (note 3). At 31 December 1974 \$77 million overseas deferred tax had been included in deferred liabilities in the group balance sheet. No UK deferred tax provision was found to be required as of 1 January 1975. However \$122 million additional overseas deferred tax as of that date is provided in these accounts out of group reserves. The tax rates applicable at 1 January 1975 were used to establish these figures. The 1975 deferred tax provision is calculated using the deferral net change method.

The British Petroleum Company Limited
and subsidiary companies

Group income statement for the year ended 31 December 1975

Figures in $ million

	Note	1975	1974
Sales proceeds and other income			
Sales proceeds		**19,264**	18,797
Deduct: customs duties and sales taxes		**3,546**	3,021
Net sales proceeds	1	**15,718**	15,776
Other income		**360**	351
		16,078	16,127
Operating and other costs			
Cost of oil, ocean freight, refining and chemical manufacturing		**10,949**	9,692
Distribution, selling, administrative and other expenses (1974 included $110m back service pension charge)		**1,453**	1,355
Depreciation and amounts provided		**391**	331
Interest	2	**208**	160
		13,001	11,538
Income before taxation		**3,077**	4,589
Overseas taxation	3	**2,673**	3,530
Income after overseas taxation		**404**	1,059
UK taxation	3	**103**	46
Income after taxation		**301**	1,013
Minority shareholders' interest		**8**	51
Income before extraordinary items		**293**	962
Extraordinary items after taxation	4	**43**	23
Net income of the group		**336**	985

Income allocation and reserves

Figures in $ million

	Note	1975	1974
Net income of the group of which parent company $180m ($169m)		**336**	985
Distribution to stockholders (see below)		**142**	133
Retained		**194**	852
Group reserves at 1 January		**4,073**	3,244
Prior years' adjustments	5	**(93)**	—
Exchange fluctuations			
Parent company		**(35)**	(34)
Subsidiary companies		**62**	11
Group reserves at 31 December of which parent company $1,131m ($1,128m)	6	**4,201**	4,073

		1975	1974
Distribution to stockholders			
Preference dividends		**1**	1
Ordinary dividends			
Interim		**49**	46
Final recommended		**92**	86
		142	133

		Rate	Rate
Dividends per unit of ordinary stock			
Interim		**13 cts**	12 cts
Final recommended		**23 cts**	22 cts
		36 cts	34 cts
Income before extraordinary items per unit of ordinary stock	7	**$0·75**	$2·48

The British Petroleum Company Limited
and subsidiary companies

Balance sheets 31 December 1975

Figures in $ million

Parent 1974	**Parent 1975**		Note	**Group 1975**	Group 1974
—	—	Properties and operating assets	8/9	**4,878**	3,531
		Investments			
—	—	The Standard Oil Company (Sohio)	10	**726**	547
31	**27**	Associated companies	11	**592**	804
1,286	**1,652**	Subsidiary companies	12	—	—
116	**98**	Long-term receivables		**486**	352
1,276	**1,004**	Current assets less current liabilities schedule A		**3,700**	3,529
2,709	**2,781**	**Total assets less current liabilities**		**10,382**	8,763
		Deduct			
377	**446**	Finance debts – schedule B	13/14	**3,403**	2,515
—	—	North Sea oil advance proceeds	15	**658**	307
—	—	Deposits and deferred liabilities	16	**188**	153
—	—	Deferred taxation		**245**	77
—	—	Insurance funds and provisions		**90**	70
—	—	Pension provisions	17	**181**	150
—	—	Minority shareholders' interest		**212**	214
377	**446**			**4,977**	3,486
2,332	**2,335**	**Net assets**		**5,405**	5,277
806	**806**	Issued capital	18	**806**	806
398	**398**	Share premium account		**398**	398
1,128	**1,131**	Reserves	6	**4,201**	4,073
2,332	**2,335**	**Stockholders' interest**		**5,405**	5,277

D E C STEEL, Director

M J VEREY, Director

Schedules to balance sheets

Figures in $ million

A Net current assets

Parent 1974	**Parent 1975**		Note	**Group 1975**	Group 1974
		Current assets			
1,352	**1,096**	Liquid resources	19	**1,635**	1,913
78	**79**	Debtors		**3,390**	3,344
—	—	Stocks of oil and chemicals		**2,668**	2,365
—	—	Stocks of stores		**215**	131
1,430	**1,175**			**7,908**	7,753
		Current liabilities			
67	**78**	Creditors		**3,607**	3,371
—	—	Overseas taxation		**441**	689
—	—	Provisions		**67**	77
87	**93**	Dividends		**93**	87
154	**171**			**4,208**	4,224
1,276	**1,004**			**3,700**	3,529

B Finance debts

Parent 1974	**Parent 1975**		Note	**Group 1975**	Group 1974
130	**128**	Long-term	13	**1,553**	1,016
247	**318**	Short-term and acceptances	13	**1,704**	1,419
—	—	Bank loans and overdrafts		**146**	80
377	**446**			**3,403**	2,515

The British Petroleum Company Limited
and subsidiary companies

Statement of source and application of funds

Figures in $ million

		1975	1974
Source of funds	Income before extraordinary items and UK tax	**396**	1,008
	Extraordinary items after taxation	**43**	23
		439	1,031
	Depreciation	**391**	331
	Other items including minority interest	**(55)**	49
	Total generated from operations	**775**	1,411
	Increase in finance debts (excluding changes in currency values)	**640**	457
	North Sea oil advance proceeds	**351**	256
	Book value of assets sold	**68**	60
	Other items	**120**	140
	Total other sources	**1,179**	913
	Funds available	**1,954**	2,324
Application of funds	Capital expenditure	**1,351**	994
	Investment in associated companies	**233**	(34)
	Dividends paid	**136**	133
	UK tax paid (net of transitional relief)	**46**	32
		1,766	1,125
	Increase in working capital (see below)	**188**	1,199
		1,954	2,324
	Increase in working capital		
	Increase in stocks	**387**	1,535
	Increase in debtors	**46**	983
	Decrease/(increase) in current liabilities (excluding UK tax and proposed dividends)	**33**	(2,119)
	(Decrease)/increase in liquid resources	**(278)**	800
		188	1,199

Notes on accounts

1 Net sales proceeds

Crude oil and product sales by subsidiary companies amounted to $14,896 million ($15,010 million) in respect of 3·4 million b/d (4·1 million b/d). These included sales of petroleum products to associated companies for use as feedstocks in chemical manufacturing.

Chemical sales by subsidiary companies amounted to $663 million ($742 million) in respect of 2·2 million tons (2·7 million tons).

Natural gas sales amounted to $38 million ($24 million) and animal feed sales amounted to $121 million (nil).

2 Interest

Interest expensed was $55 million ($55 million) on long-term debts and $153 million ($105 million) on other finance debts.

Interest of $42 million ($6 million) re TAPS and costs reimbursed re Forties Field financing of $52 million ($30 million) were capitalised. In 1974 a further $28 million had been capitalised, $26 million re Sohio and $2 million re tankers under construction.

3 Taxation

(a) OVERSEAS

Overseas taxation of $2,673 million ($3,530 million) provided in these accounts includes a writeback of $53 million ($65 million charge) in respect of deferred taxation.

(b) UK

Legislation enacted in 1975 made the following major changes to the basis on which oil companies are taxed:

(i) Petroleum Revenue Tax. This tax is imposed on profits from production of oil and gas in the UK, its territorial waters and continental shelf ("domestic production") and is an allowable deduction for corporation tax purposes.

(ii) For Corporation Tax purposes
—statutorily defined prices are used in computing profits from 1 January 1973 in respect of most transfers of oil and products other than by sales made at arm's length.
—in computing the profits from domestic production, relief is given only for expenditure and allowances arising in respect of such production.
—losses incurred before 1 January 1973 outside domestic production are cancelled after 11 July 1974 to the extent they were unrelieved at that date.

The UK corporation tax charge of $1,518 million ($2,782 million) has been provided on the income for the year and includes $111 million (nil) in respect of deferred taxation. The charge for corporation tax and petroleum revenue tax is made up as follows:

	1975 $m	1974 $m
Corporation tax at 52%	1,518	2,782
Overseas tax relief	(1,407)	(2,782)
	111	—
Advance corporation tax	—	68
Transitional relief	(23)	(22)
	88	46
Petroleum revenue tax	15	—
	103	46

Advance corporation tax of $143 million previously written off remains available to be set against future corporation tax liabilities of the group.

3 Taxation – (continued)

Transitional relief (overspill) arises under the terms of the Finance Acts 1965 and 1972 and the amount credited in these accounts relates to dividends paid or provided. Overspill relief in 1976 will be minimal.

(c) DEFERRED TAXATION

The balance of deferred taxation at 31 December 1975 mainly comprises tax arising from timing differences between tax allowances claimed and aggregate depreciation and between the accounting and tax treatment of certain items, after deducting advance corporation tax relating to dividends paid and recommended for the year.

4 Extraordinary items

The 1975 amount of $43 million is the surplus after tax in respect of the sale of the group's 50% interest in Norsk Braendselolje A/S to the Norwegian Government; the $23 million in 1974 was in respect of production interests transferred or taken over.

5 Prior years' adjustments

	$m
Comprises:	
Adjustment re inclusion of depreciation in group stock valuation at 1 January 1975	29
Additional provision for deferred tax at 1 January 1975	(122)
	(93)

6 Group reserves

Group reserves of $4,201 million at 31 December 1975 include associated companies' undistributed earnings of $48 million referred to in notes 10 and 11 and an unchanged parent company preference stock reserve of $20 million. Also included are amounts totalling $884 million ($727 million) retained by subsidiary companies themselves not subject to UK taxation.

7 Income per unit of ordinary stock

The calculation of income per ordinary stock unit is based on income before extraordinary items of $293 million ($962 million) less preference dividends of $1 million ($1 million), related to 386·1 million ordinary stock units in issue during the year.

8 Properties and operating assets

At 31 December 1975 assets at cost amounted to $8,311 million ($6,456 million) and provisions amounted to $3,433 million ($2,925 million), summarised as follows:

	1975			1974
	Cost $m	Provisions $m	Net $m	Net $m
Production and exploration	2,582	461	2,121	1,095
Tankers	739	268	471	507
Refineries	2,156	1,328	828	803
Marketing	2,224	1,077	1,147	837
Chemicals	610	299	311	289
Total	8,311	3,433	4,878	3,531

Notes on accounts (continued)

8 Properties and operating assets – (continued)

The following table shows the movements to assets at cost during 1975 and includes $299 million of marketing assets in the UK previously held by Shell-Mex and B.P. Limited an associated company, $78 million of marketing assets in southern Africa, previously held through associated companies, and $42 million re companies acquired during the year. These additions are at original cost with the related accumulated depreciation included in provisions in the preceding table. Also included are exchange adjustments of $360 million.

	1 Jan $m	Additions $m	Deletions $m	31 Dec $m
Production and exploration	1,478	1,201	97	2,582
Tankers	768	52	81	739
Refineries	1,978	194	16	2,156
Marketing	1,672	620	68	2,224
Chemicals	560	63	13	610
	6,456	2,130	275	8,311

9 Land

Included in the net amount of properties and operating assets of $4,878 million ($3,531 million) is $285 million ($215 million) in respect of land (including buildings acquired with the land) of which $256 million ($196 million) represents freehold property, mainly service stations, $11 million ($4 million) leases with unexpired terms of 50 years or more and $18 million ($15 million) other leases.

10 Investment in The Standard Oil Company (Sohio)

The investment in Sohio was initially represented by 1,000 shares of special stock which entitled the group to the same rights (except as to dividends) as approximately a 25% common stock interest. Dividends have been received as from 1 January 1975 from which date the group's interest has been equity accounted. This treatment has been reflected in these accounts by the inclusion in other income of $47 million with a charge of $17 million in overseas taxation. However, interest of $20 million on short-term loans related to this investment has been charged ($26 million in 1974 was capitalised) leaving a net benefit to group income of $10 million. At 31 December 1975 $19 million of the group's share of Sohio's net income for 1975 was undistributed.

The number of shares of common stock, to which the 1,000 shares of special stock are equivalent, will rise with increases in the sustainable crude oil production from Sohio's Prudhoe Bay properties, or in certain circumstances from other Alaskan properties, to a maximum of approximately 54% if such production (net of one-eighth royalty owned by the State of Alaska) reaches 600,000 barrels per day prior to 1 January 1984.

The special stock is pledged as collateral to secure a short-term debt of $117·4 million repayable 1976/77 with interest at 7% per annum.

In October 1975 Sohio sold 920,000 shares of its common stock to the public and pursuant to the terms of the original agreement dated 7 October 1969 BP acquired 1,080,000 shares being a 54% interest of the issue thereby increasing the group's interest in Sohio to approximately 26%.

11 Associated companies

INVESTMENT

At 31 December 1975 investment in these companies at cost amounted to $662 million ($882 million) and provisions amounted to $70 million ($78 million), summarised as follows:

11 Associated companies – (continued)

	1975			1974
	Cost $m	Provisions $m	Net $m	Net $m
Production and exploration	243	59	184	195
Refineries	93	4	89	89
Marketing	170	7	163	381
Chemicals	156	—	156	139
	662	70	592	804

Parent company investment at cost included in above group figures was $31 million ($36 million): provisions were $4 million ($4 million).

Group investments, almost entirely unquoted, in associated companies are mainly in the nature of partnerships with other oil groups having in many cases integrated trading operations with subsidiary companies of the group which take a wide variety of forms.

Considerable expense and undue delay would be occasioned in obtaining up-to-date completed accounts for the many associated companies incorporated and operating overseas whose earnings are relatively small. It is considered that the procedures adopted for dealing with the group share of the income of associated companies, including dividends received (the figures relative to the current year are given below), effectively result, both as to costs and overseas taxation, in a meaningful presentation of the integrated operations of the group.

INCOME AND RETAINED EARNINGS – GROUP PROPORTION

The group share of the net income for the year 1975 based on accounts of certain companies, mainly concerned with crude oil production, amounted to $99 million ($99 million) which has been reflected in group income by a reduction of $703 million ($850 million) in costs, the accounting of $(1) million ($16 million) in other income and a charge of $603 million ($767 million) in overseas taxation. At 31 December 1975 $29 million ($37 million) of the accumulated earnings were undistributed.

Dividends of $22 million ($16 million) and interest of $7 million ($8 million) from associated companies other than those referred to in the above paragraph are included in the group income statement as part of other income. To comply with paragraph 5A of Schedule 2 to the Companies Act 1967 the following information is given:

	Parent share $m	Subsidiaries share $m	Group share $m
Aggregate results per accounts received during 1975			
before tax	8	60	68
after tax	6	30	36
Retained earnings since acquisition	5	31	36

The group share of losses is, in all material cases, covered by provisions in the parent or subsidiary companies.

NET ASSETS

Information as to the group proportion of the net assets of associated companies at the end of 1975 is not yet available. However, from the accounts received during the year 1975 from major associated companies in which the group net investment at 31 December 1974 was $753 million (out of a total net investment of $804 million), it has been ascertained that the net assets of these companies amounted to $2,289 million and the group proportion thereof was $813 million as follows:

11 Associated companies – (continued)

	Associated companies $m	Group proportion $m
Properties and operating assets (net)	2,872	964
Long-term receivables and investments	324	107
Intangibles including goodwill	52	16
Current assets	2,319	918
	5,567	2,005
Less: Finance debts	1,013	307
Liabilities mainly current	2,265	885
Net assets	2,289	813

The accounts referred to were largely prepared as at 31 December 1974 and were drawn up in accordance with the statutory regulations of the countries in which these companies were incorporated. In some instances the accounts were unaudited.

12 Subsidiary companies

The parent company's investment in its subsidiary companies at 31 December 1975 amounted to $1,652 million ($1,286 million) which consisted of shares at cost less provisions $479 million ($473 million) together with advances, current accounts and accrued dividends $1,173 million ($813 million).

13 Finance debts

Long-term debts are those, as defined by the Companies Act 1967, which are wholly or in part repayable more than five years from the date of the balance sheet. Long-term debts at 31 December are as follows:

Parent 1974 $m	Parent 1975 $m		Average contractual interest rate %	Group 1975 $m	Group 1974 $m
20	12	Sterling	7·9	37	51
46	86	US dollars	9·2	893	315
—	—	Belgian francs	7·4	29	32
—	—	Canadian dollars	6·9	59	55
21	—	Deutschemarks	7·0	75	99
—	—	Dutch guilders	6·8	234	248
—	—	French francs	8·6	121	118
—	—	Swedish kronor	5·4	25	24
43	30	Swiss francs	6·6	57	46
—	—	Other currencies		23	28
130	128	Total		1,553	1,016
20	—	Secured debt included in above figures		280	318
		Repayment periods from balance sheet date are as follows:			
4	—	1 year		53	58
5	—	2 years		60	61
5	—	3 years		70	67
5	2	4 years		99	113
4	6	5 years		124	135
80	89	6 to 10 years		707	355
27	31	thereafter		440	227
130	128			1,553	1,016

13 Finance debts – (continued)

Short-term debts of the group which are repayable within five years of the date of the balance sheet amounted to $1,391 million ($1,146 million) of which secured $224 million ($231 million).

Acceptances under facilities with differing periods of duration in respect of oil movements amounted to $313 million ($273 million).

At 31 December 1975 the group had substantial amounts of undrawn borrowing facilities available including approximately $1,172 million ($707 million) which was covered by formal commitments.

The parent company 5% debenture stock, repayable by 1 July 1978, of $18 million ($19 million) and the 6% debenture stock, repayable by 31 December 1980, of $19 million ($20 million) are secured by a floating charge on the assets of the parent company.

14 Trans Alaska Pipeline System (TAPS)

BP Pipelines Inc., a group subsidiary, has a 15·84% undivided interest and Sohio Pipe Line Company, a subsidiary of The Standard Oil Company (Sohio), has an undivided interest of 33·34% in TAPS.

In January 1976 it was estimated that the construction cost (excluding interest) of the system, on the basis of an initial design capacity of 1·2 million barrels per day, would be approximately $7,000 million of which the group's direct 15·84% undivided interest amounts to about $1,110 million over a four-year period. The parent company has guaranteed that BP Pipelines shall provide finance for the completion of its share of the construction costs of TAPS, including interest during construction, and its operation thereafter.

Sohio/BP Trans Alaska Pipeline Capital Inc. ("Capital") is owned by the two pipeline companies and its sole business is the issuance of debt securities from time to time, lending approximately 68% of the proceeds to Sohio Pipe Line and approximately 32% to BP Pipelines in exchange for notes in the principal amounts of their respective loans each unconditionally guaranteed by its parent company.

In January 1975 Capital publicly sold at par $250 million 8⅝% Notes due 1983 and in respect thereof BP Pipelines issued a Guaranteed Note to Capital for $80·5 million being its share of this issue.

In November 1975 Capital arranged a private placement in aggregate of $1,750 million of 10⅝% Notes ($815·5 million due 1993 and $934·5 million due 1998) with institutional lenders in the US. In respect thereof BP Pipelines will issue Guaranteed Notes to Capital for an aggregate amount of $563·5 million being its proportionate share of this placement. At 31 December 1975 $112·2 million of the Guaranteed Notes due 1993 and $227·7 million of the Guaranteed Notes due 1998 had been issued and were outstanding.

Revolving credit agreements with consortia of banks provide for borrowing from time to time up to a total of $450 million towards BP Pipelines' obligations and at 31 December 1975 $100 million ($112 million) was outstanding.

Interest amounting to $42 million ($6 million) and issue expenses of $3 million ($1 million) in connection with TAPS financing have been capitalised and included as part of construction costs which at 31 December 1975 were $754 million ($209 million). This amount is included in properties and operating assets within the sub-heading production and exploration.

15 Forties Field financing

In accordance with the terms of an agreement by BP Oil Development Limited for a forward sale of crude oil and gas from the Forties Field (North Sea block 21/10) advances may be received from time to time up to £180 million and $468 million. The total advanced to 31 December 1975 was £142·3 million (£72 million) and $370·0 million ($187·2 million). These amounts are secured on the assets and contracts connected with the development of the field.

Notes on accounts (continued)

15 Forties Field financing – (continued)

Costs (mainly interest) amounting to $52 million ($30 million) incurred by the other party to the above-mentioned agreement in servicing this arrangement with a consortium of banks have been reimbursed by BP Oil Development Limited and capitalised as part of the production assets. Following the start of commercial production, costs of $9 million relative to financing the facilities now in operation have been charged against income.

Repayment of amounts advanced is to be made from the proceeds of the sale of oil produced from the field which BP Trading Limited, a wholly-owned subsidiary, has under a separate agreement undertaken to purchase and is being spread over the five years from 1 December 1975 following the start of commercial production. If the flow of oil is interrupted, repayments will normally be suspended, but (subject to the presence of an adequate amount of recoverable oil) will in any event be completed by the end of 1982.

The parent company has undertaken to procure the performance by its subsidiary companies of their obligations under the agreements.

16 Deposits and deferred liabilities

Deposits relate to certain payments received in advance in respect of crude oil deliveries which will be made during and after 1976 whilst deferred liabilities are those which become due for settlement after 31 December 1976.

17 Pensions

The amount included in group costs for pension and retirement plans in 1975 was $110 million ($76 million).

In 1974 $110 million was charged for back service pension obligations of which $77 million related to UK pension schemes following receipt of an actuarial report advising that this was required to fund them fully in view of the high level of inflation. Pending a further actuarial report and in view of the continuing high level of inflation in 1975 contributions to the scheme relative to employees have been provisionally increased as from 1 January 1976.

In most group companies there are pension and retirement plans, the form and benefits of each of which vary having regard to economic conditions and practices in the countries concerned. The majority of these plans are separately funded, payments being made either to trusts in accordance with calculations made periodically by consulting actuaries, or to insurance companies.

In the case of certain European subsidiaries with unfunded plans, provisions amounting to $181 million ($150 million) have been made largely on the basis of actuarial assessment, whilst others charge current supplementary pension payments against income in accordance with local practice.

18 Authorised and issued capital of the parent company

No changes were made during the year to the authorised capital of £500 million or to the issued capital of £398·8 million, made up as follows:

	£m
8% (now 5·6%+tax credit) cumulative first preference stock	7·2
9% (now 6·3%+tax credit) cumulative second preference stock	5·5
Ordinary stock	386·1
	398·8

Of the £386·1 million ordinary capital issued at 31 December 1975, Her Majesty's Government in the UK owned £186·1 million (48·2%) and the Bank of England £77·8 million (20·1%). The Bank acquired this holding on 23 January 1975 from The Burmah Oil Company Limited, and in connection therewith gave an undertaking to the Panel on Take-overs and Mergers ("the Panel") that, so long as the Bank's holding and the British Government's holding of BP ordinary stock taken together represent 30% or more of the total voting rights normally exercisable in respect of such stock, the Bank will not exercise the votes attaching to such 77·8 million stock units. The Bank also advised the Panel that it was authorised by the government to inform the Panel as follows: (a) it is not the government's intention that the Bank's acquisition of the 77·8 million stock units should change in any way the existing arrangements between the government and BP, and (b) accordingly, while any of such stock units remain in the Bank's hands and the Bank's undertaking referred to in the preceding sentence remains in force, the government will not exercise a greater proportionate voting power in relation to other BP stockholders than it could have exercised prior to the Bank's acquisition of such 77·8 million stock units. The reason for these undertakings was to obtain from the Panel a ruling, which the Panel issued on 23 January 1975, that the Bank would not be obligated under the City Code on Take-overs and Mergers to offer to purchase the ordinary stock of BP held by its public stockholders.

Apart from the above two holdings the remaining £122·2 million (31·7%) was held by approximately 120,000 members; of this, one holding of £12·7 million stock represented the interests of approximately 29,600 American Depositary Receipt holders.

Under an agreement made in 1972 the remaining 40% of the Europa group of companies in New Zealand will be acquired by 30 April 1977 when 0·4 million ordinary shares will be issued.

19 Liquid resources

Bank balances of the group at $1,520 million ($1,753 million) include parent company $1,091 million ($1,283 million).

Marketable securities of the group at net book value of $115 million ($160 million) include parent company $5 million ($69 million) and approximate to market value.

20 Production interests

In pursuance of its intention to acquire 100% ownership the Kuwait Government signed an agreement with BP Kuwait and Gulf Kuwait on 1 December 1975 by which it would acquire the remaining 40% interest of both companies as from 5 March 1975, subject to ratification by the Kuwait National Assembly. The Government of Qatar has yet to implement the policy decision announced in December 1974, to acquire the remaining 40% of the Qatar Petroleum Company concession. In regard to the concession in southern Iraq the Iraq Government, following an interim settlement in January 1975, has subsequently on 8 December 1975 taken unilateral action purporting to nationalise the group's interest. It is expected that no material profits or losses will arise following the resolution of the above matters.

21 Hire charges

Payments for time-chartered tankers amounted to $249 million ($346 million) and for bare boat charters $40 million ($24 million). Payments for the hire of plant and machinery amounted to $77 million ($66 million).

22 Contingent liabilities

There were contingent liabilities at 31 December 1975 in respect of guarantees, indemnities, claims, etc., entered into as part of and arising from the ordinary course of the group's business, upon which no material losses are likely to arise.

The parent company has guaranteed $1,967 million ($1,301 million) of borrowings by its subsidiary companies.

23 Capital commitments

Authorised future capital expenditure by group companies is estimated at $2,565 million including approximately $808 million for which contracts have been placed.

24 Remuneration and loans

(a) Directors of the company: $710,420 ($633,026) made up of fees $68,926 ($58,580) and other emoluments $641,494 ($574,446). One director waived fees for 1975 of $8,009. Pensions and commutations of pensions to former managing directors and their dependants $1,281,355 ($499,510).

	1975	1974
Chairmen		
Sir Eric Drake to 28 November 1975	$152,385	$144,818
Mr D E C Steel from 29 November 1975	$15,869	

The number of all the directors (including six for part periods only in 1975 and two in 1974) and those UK employees of the group whose emoluments exceeded $20,000 in the following bands were:

	Gross Emoluments $	Tax $	Take-home pay $	1975	1974
Directors	Up to 5,000			1	2
	5,001 – 10,000			8	6
	10,001 – 15,000			1	—
	70,501 – 75,500	51,300	24,200	—	3
	80,501 – 86,000	59,600	26,400	1	—
	86,001 – 91,000	63,800	27,200	3	—
	101,001 – 106,000	76,400	29,600	—	2
	121,001 – 126,000	93,100	32,900	1	—
	141,501 – 146,500	109,900	36,600	—	1
	151,501 – 156,500	118,400	38,100	1	—
(b) Employees	20,001 – 25,000	11,100	13,900	294	118
	25,501 – 30,500	14,500	16,000	112	43
	30,501 – 35,500	18,200	17,300	43	23
	35,501 – 40,500	22,000	18,500	20	11
	40,501 – 45,500	26,100	19,400	17	2
	45,501 – 50,500	30,300	20,200	11	6
	50,501 – 55,500	34,500	21,000	3	1
	55,501 – 60,500	38,600	21,900	3	—
	60,501 – 65,500	42,800	22,700	3	—
	65,501 – 70,500	47,100	23,400	1	—

The above shows the total amount of income tax at the appropriate graduated rates applicable for 1975/76 at the higher end of each band over $20,000 and the corresponding take-home pay; it has been assumed that the recipient is a married man with no dependants and with no other sources of income.

(c) Loans to officers – $136,956 ($31,310). The increase includes $102,111 in respect of loans made to two persons prior to their becoming managing directors.

(d) Auditors' remuneration – group companies $2,884,560 ($1,973,540) of which the parent company $131,300 ($105,040).

Report of the Auditors

The following is a reproduction of the Report on the sterling accounts given by the Auditors:

To the Members of The British Petroleum Company Limited

We have examined the accounts of The British Petroleum Company Limited set out on pages 19 to 29 and pages 42 to 44.

In our opinion, the Company's balance sheet and the group accounts comply with the Companies Acts, 1948 and 1967 and give for the Company and for the group a true and fair view of the state of affairs at 31 December 1975 and of the net income, changes in reserves and source and application of funds for the year.

We have also examined the current purchasing power statement set out on pages 34 and 35, and report that in our opinion it has been prepared in accordance with the Provisional Statement of Standard Accounting Practice No. 7 issued by the Institutes of Chartered Accountants in the United Kingdom.

Whinney Murray & Co.
Chartered Accountants
London, 18 March 1976

Financial statistics 1971 to 1975

Summary

		1971	1972	1973	1974	1975
Group sales						
				millions of barrels per day		
Crude oil		2·1	2·4	2·4	2·2	**1·7**
Products including chemicals		2·0	2·3	2·2	2·0	**1·8**
Total		4·1	4·7	4·6	4·2	**3·5**
				millions of cubic feet per day		
Natural gas		344	432	407	334	**298**

		1971	1972	1973	1974	1975
Sales proceeds	$m	6,369	6,931	9,114	18,797	**19,264**
Customs duties and sales taxes	$m	2,068	2,317	2,747	3,021	**3,546**
Net sales proceeds	$m	4,301	4,614	6,367	15,776	**15,718**
Income before extraordinary items	$m	301	119	596	962	**293**
per barrel sold	cents	19	7	35	61	**23**
per gallon sold	cents	0·4	0·2	1·0	1·8	**0·6**
per unit of ordinary stock	$	0·82	0·31	1·54	2·48	**0·75**
Rates of dividend per unit of ordinary stock	cents	29	29	31	34	**36**
Government take – Middle East and Nigeria	$m	1,469	1,743	2,505	11,292	**10,998**
Net assets representing stockholders' interest	$m	3,087	3,240	4,448	5,277	**5,405**
Income before extraordinary items, as a percentage of average net assets	%	10·3	3·8	15·5	19·8	**5·5**
Total assets less current liabilities	$m	5,064	5,711	6,965	8,763	**10,382**
Return, being income before extraordinary items and interest, on average capital employed (excluding Sohio, TAPS, Forties and Ninian Fields investment where applicable)	%	9·0	4·5	13·2	17·2	**6·2**

Capital employed and provision of funds

	1971		1972		1973		1974		**1975**	
	$m	%	$m	%	$m	%	$m	%	**$m**	**%**
Capital employed										
Fixed assets:										
Production and exploration	662	13	824	14	796	11	1,291	15	**2,305**	**22**
Tankers	281	6	313	6	428	6	507	6	**471**	**4**
Refineries	871	17	913	16	883	13	891	10	**917**	**9**
Marketing	1,018	20	1,125	20	1,174	17	1,218	14	**1,310**	**13**
Chemicals	382	8	425	7	432	6	428	5	**467**	**4**
	3,214	64	3,600	63	3,713	53	4,335	50	**5,470**	**52**
Investment in Sohio	420	8	495	8	527	8	547	6	**726**	**7**
Long-term receivables	198	4	202	4	382	6	352	4	**486**	**5**
Liquid resources	475	9	620	11	1,113	16	1,913	22	**1,635**	**16**
Debtors and stocks less current liabilities	757	15	794	14	1,230	17	1,616	18	**2,065**	**20**
	5,064	100	5,711	100	6,965	100	8,763	100	**10,382**	**100**
Provision of funds										
Finance debt:										
Long-term	786	15	751	13	883	12	1,016	12	**1,553**	**15**
Short-term and acceptances	788	16	1,077	19	1,024	15	1,419	16	**1,704**	**16**
Bank loans and overdrafts	111	2	166	3	56	1	80	1	**146**	**2**
	1,685	33	1,994	35	1,963	28	2,515	29	**3,403**	**33**
North Sea oil advance proceeds					51	1	307	3	**658**	**6**
Deposits and deferred liabilities, deferred tax, provisions and minority interest	293	6	477	8	503	7	664	8	**916**	**9**
Stockholders' interest	3,086	61	3,240	57	4,448	64	5,277	60	**5,405**	**52**
	5,064	100	5,711	100	6,965	100	8,763	100	**10,382**	**100**

Financial statistics 1971 to 1975 (continued)
Income statements

Figures in $ million

	1971	1972	1973	1974	**1975**
Sales proceeds and other income					
Sales proceeds	6,369	6,931	9,114	18,797	**19,264**
Deduct: customs duties and sales taxes	2,068	2,317	2,747	3,021	**3,546**
Net sales proceeds	4,301	4,614	6,367	15,776	**15,718**
Other income	80	103	190	351	**360**
	4,381	4,717	6,557	16,127	**16,078**
Operating and other costs					
Cost of oil, ocean freight, refining and chemical manufacturing	1,840	2,022	2,773	9,692	**10,949**
Distribution, selling, administrative and other expenses	826	883	1,109	1,355	**1,453**
Depreciation and amounts provided	222	244	275	331	**391**
Interest	79	91	117	160	**208**
	2,967	3,240	4,274	11,538	**13,001**
Income before taxation	1,414	1,477	2,283	4,589	**3,077**
Overseas taxation	1,101	1,332	1,637	3,530	**2,673**
Income after overseas taxation	313	145	646	1,059	**404**
UK taxation	—	22	30	46	**103**
Income after taxation	313	123	616	1,013	**301**
Minority shareholders' interest	12	4	20	51	**8**
Income before extraordinary items	301	119	596	962	**293**
Extraordinary items after taxation	20	24	69	23	**43**
Net income of the group	321	143	665	985	**336**
Distributed	155	125	119	133	**142**
Retained	166	18	546	852	**194**
	321	143	665	985	**336**

Capital expenditure and source and application of funds

Figures in $ million

		1971	1972	1973	1974	**1975**
Capital expenditure	Production and exploration	175	267	358	757	**1,188**
	Tankers	81	67	150	119	**20**
	Refineries	168	95	117	129	**113**
	Marketing	156	135	125	166	**182**
	Chemicals	131	93	28	40	**91**
		711	657	778	1,211	**1,594**
	of which:					
	Group companies	471	418	606	994	**1,351**
	Associated companies	240	239	172	217	**243**
Source of funds	Income before extraordinary items and UK tax	301	142	626	1,008	**396**
	Extraordinary items after taxation	20	24	69	23	**43**
	Credited to reserves	12	—	553	—	**—**
		333	166	1,248	1,031	**439**
	Depreciation	222	244	275	331	**391**
	Other items including minority interest	(2)	87	6	49	**(55)**
	Total generated from operations	553	497	1,529	1,411	**775**
	Increase in finance debts (excluding changes in currency values)	249	157	42	457	**640**
	North Sea oil advance proceeds	—	—	51	256	**351**
	Book value of assets sold	14	38	145	60	**68**
	Rights issue	176	69	—	—	**—**
	Other items	28	166	(22)	140	**120**
	Total other sources	467	430	216	913	**1,179**
	Funds available	1,020	927	1,745	2,324	**1,954**
Application of funds	Capital expenditure	471	418	606	994	**1,351**
	Investment in associated companies	121	178	59	(34)	**233**
	Dividends paid	151	153	119	133	**136**
	UK tax paid (net of transitional relief)	—	—	22	32	**46**
		743	749	806	1,125	**1,766**
	Increase in working capital	277	178	939	1,199	**188**
		1,020	927	1,745	2,324	**1,954**

Inflation accounting
Current purchasing power statement

Figures in $ million

Prepared in accordance with the Provisional Statement of Standard Accounting Practice No. 7 issued in May 1974 by the Institutes of Chartered Accountants in the UK.

The current purchasing power basis figures for both this and last year are measured in pounds of purchasing power at the end of 1975 and translated into dollars at the 1975 year end rate of exchange.

		Current purchasing power		Historic	
		1974	**1975**	**1975**	1974
	Net sales proceeds	21,198	**16,990**	**15,718**	15,776
Summarised Results	**Income before taxation** – (page 35)	5,761	**2,951**	**3,077**	4,589
	Overseas taxation	4,737	**2,941**	**2,673**	3,530
	UK taxation	59	**103**	**103**	46
	Minority interest	40	**(26)**	**8**	51
	Income before extraordinary items	925	**(67)**	**293**	962
	Extraordinary items after taxation	178	**(20)**	**43**	23
	Income of the group	747	**(87)**	**336**	985
	Dividends	165	**142**	**142**	133
	Retained income	582	**(229)**	**194**	852
Summarised Financial Position	Properties and operating assets	5,557	**6,616**	**4,878**	3,531
	Investments and long-term receivables	3,012	**2,959**	**1,804**	1,703
	Current assets less current liabilities	4,480	**3,818**	**3,700**	3,529
		13,049	**13,393**	**10,382**	8,763
	Deduct:				
	Finance debts and other liabilities	4,091	**4,765**	**4,765**	3,272
	Minority interest	337	**301**	**212**	214
	Stockholders' interest	8,621	**8,327**	**5,405**	5,277

Figures in $ million

Income before taxation: reconciliation between the historic and current purchasing power basis

	1974	1975
Income before taxation (historic basis)	4,589	**3,077**
Depreciation Additional charge based on cost of fixed assets measured in pounds of current purchasing power.	(162)	**(234)**
Investment in associated companies Additional charge resulting from the restatement in pounds of current purchasing power of the group's proportion of the estimated underlying net assets.	(52)	**(55)**
Stocks of oil and chemicals Additional charge to take the inflation element out of the sale of opening stock having restated the cost of closing stock in pounds of current purchasing power.	(149)	**(590)**
Sales, purchases and other costs These are increased by the change in index between the average date at which they occurred and the end of the year.	226	**345**
Monetary items Net gain in purchasing power resulting from the effects of inflation on the group's net monetary liabilities.	158	**408**
Income before taxation (current purchasing power basis at respective year ends)	4,610	**2,951**
Adjustment to update from end 1974 pounds to end 1975 pounds	1,151	
Income before taxation (current purchasing power basis)	5,761	**2,951**

The figures in current purchasing power were arrived at by converting the consolidated figures, adjusted as appropriate to reflect original rates of exchange, by reference throughout to the changes in the UK retail price index between the date of the transactions and December 1975. Regular periodic payments of taxation to the Middle East and Nigerian Governments have been similarly adjusted. The retail price index for December 1975 was 146·0 and for December 1974 116·9. Both figures are based on January 1974 =100.

Operating statistics 1966 to 1975
Sources of crude oil

	1966	1967	1968	1969	1970	1971	1972	1973	1974	**1975**
	thousands of barrels per day									
Iran	760	900	1,000	1,150	1,330	1,490	1,770	1,980	2,000	**1,700**
Kuwait	980	960	1,020	1,050	1,110	1,170	1,480	1,320	1,040	**560**
Nigeria	160	120	20	180	380	560	580	620	660	**480**
Abu Dhabi	120	140	180	200	240	300	420	400	340	**320**
Iraq	280	260	360	360	380	400	240	220	240	**140**
Qatar	40	40	40	40	40	40	60	60	40	**20**
Libya	—	80	140	160	200	160	—	—	—	**—**
Other	200	240	260	260	300	260	280	180	120	**220**
	2,540	2,740	3,020	3,400	3,980	4,380	4,830	4,780	4,440	**3,440**

Tankers

Tankers operated at year end	1966	1967	1968	1969	1970	1971	1972	1973	1974	**1975**
Owned										
Number of vessels										
Up to 25,000 deadweight tons	66	64	67	70	63	61	43	37	38	**39**
25,000 to 80,000 ,, ,,	61	62	62	62	59	59	53	47	52	**32**
80,000 to 160,000 ,, ,,	2	2	3	3	3	3	3	3	3	**3**
160,000 and above ,, ,,	—	—	—	—	2	7	8	12	20	**23**
	129	128	132	135	127	130	107	99	113	**97**
In million deadweight tons	3·8	4·0	4·2	4·3	4·5	5·6	5·3	5·9	8·1	**8·0**
Long-term charter										
Number of vessels										
Up to 25,000 deadweight tons	69	58	55	45	63	75	62	44	25	**17**
25,000 to 80,000 ,, ,,	61	65	70	45	72	98	90	78	17	**21**
80,000 to 160,000 ,, ,,	3	7	8	13	28	22	22	19	11	**6**
160,000 and above ,, ,,	—	—	—	6	20	24	30	34	33	**31**
	133	130	133	109	183	219	204	175	86	**75**
In million deadweight tons	4·6	4·8	5·3	5·8	11·9	13·3	14·2	14·0	9·9	**9·2**
Total number of vessels	262	258	265	244	310	349	311	274	199	**172**
Total in million deadweight tons	8·4	8·8	9·5	10·1	16·4	18·9	19·5	19·9	18·0	**17·2**

Refining

	1966	1967	1968	1969	1970	1971	1972	1973	1974	**1975**
Crude oil refined	thousands of barrels per day									
UK	440	420	440	460	480	480	460	480	420	**340**
France	220	220	220	240	300	280	340	340	320	**260**
Germany	180	180	220	240	260	280	280	280	280	**240**
Netherlands	—	40	100	100	100	120	280	280	260	**180**
Other European countries	120	160	260	300	300	300	360	300	240	**180**
Africa and Middle East	380	340	360	380	440	340	340	240	180	**100**
Canada	60	60	60	80	80	80	80	80	80	**100**
Far East and Australasia	100	120	120	100	120	120	140	160	160	**160**
	1,500	1,540	1,780	1,900	2,080	2,000	2,280	2,160	1,940	**1,560**
For the group by other refiners	120	120	80	120	180	180	120	180	160	**160**
	1,620	1,660	1,860	2,020	2,260	2,180	2,400	2,340	2,100	**1,720**

Sales

	1966	1967	1968	1969	1970	1971	1972	1973	1974	**1975**
Products (including chemicals)	thousands of barrels per day									
UK	260	286	306	318	328	320	340	360	360	**300**
France	140	180	180	200	240	260	300	280	260	**240**
Germany	200	200	220	240	280	300	320	340	320	**260**
Other European countries	390	384	454	510	598	540	620	580	480	**400**
Africa and Middle East	68	72	80	80	86	80	100	120	100	**100**
Asia and Australasia	114	120	138	156	186	180	180	160	180	**180**
North and South America	78	86	102	102	100	120	120	120	100	**100**
International bulk trade and bunkers	226	220	252	290	300	260	320	240	200	**180**
	1,476	1,548	1,732	1,896	2,118	2,060	2,300	2,200	2,000	**1,760**
Crude oil	910	1,020	1,106	1,342	1,676	2,080	2,380	2,400	2,200	**1,700**
	2,386	2,568	2,838	3,238	3,794	4,140	4,680	4,600	4,200	**3,460**
Natural gas	millions of cubic feet per day									
North Sea	—	57	127	156	116	180	211	172	166	**165**
Other areas	63	84	114	109	135	164	221	235	168	**133**
	63	141	241	265	251	344	432	407	334	**298**

The Standard Oil Company (Sohio)

The Standard Oil Company issued its annual report to its stockholders on 15 March 1976 and the following is the major part of the Chairman's letter. Also shown is the income statement for the year 1975 and a summary of the consolidated balance sheet at 31 December.

In 1969 BP companies whose assets included marketing and refining properties in the US and Alaskan oil and gas leases were transferred to Sohio. In exchange Sohio issued to British Petroleum (Overzee) B.V., a wholly-owned subsidiary of The British Petroleum Company Limited, 1,000 shares of Sohio Special Stock. The rights applicable to this stock are given on page 26.

Chairman's letter

Since 1970 Sohio has been deeply involved in an ambitious program to develop the great oil reserves at Prudhoe Bay on the North Slope of Alaska and to carry out the enormous and costly trans-Alaska pipeline construction project.

One fourth of all United States proved oil reserves are at Prudhoe Bay. In little more than a year from now the first of this oil is scheduled to begin flowing to U.S. markets.

Construction of Sohio's Prudhoe Bay oil-production facilities is on schedule. Their completion will coincide with start-up of the pipeline in mid-1977. The trans-Alaska pipeline system, including the terminal at Valdez, was more than 40 percent complete at the end of 1975.

However, much work remains to be done at the oil field and on the pipeline. Additional tankers must be built to carry the oil to U.S. ports. A pipeline is needed to bring Alaskan oil from the West Coast, where oil surpluses now seem likely, to the Midwest, where domestic crude oil is in short supply. These are big tasks, but the progress we have made to date generates confidence that these projects, too, will be accomplished.

We estimate that Sohio's share of the total costs for development of the Prudhoe Bay Field, building the trans-Alaska pipeline, providing tankers to carry Alaskan oil to U.S. ports, and constructing a pipeline to bring Alaskan oil from the West Coast to the Midwest will be approximately \$5·5 billion. That amount is more than five times the Company's total assets when we embarked upon this project at the beginning of 1970. Through the end of 1975 Sohio had generated internally or had arranged financing for about \$3·3 billion of the total. A substantial part of our remaining requirements is expected to come from external sources. The recognition of the value of our oil reserves in Alaska by the financial community gives us confidence that the funds still needed will be available to us at a reasonable cost.

In addition to the Alaskan investments we have continued development of our coal reserves. One new mine is scheduled to reach production of three million tons per year by the end of 1976. Initial production is scheduled in 1977 from the first of twin underground mines that ultimately will produce 4·5 million tons of coal a year.

Sohio's capital expenditures in 1976 are expected to total \$1·4 billion, down from \$1·6 billion last year. Lower expenditures for the trans-Alaska pipeline are the major factor in the reduction. Expenditures in the lower 48 states also are expected to be lower.

Sohio's net income in 1975 was \$126·6 million, down 14 percent from \$147·5 million in 1974. However, 1974 net income benefited by \$21·6 million from utilization of a tax-loss carryforward. Otherwise, earnings for the two years would have been virtually even.

Sohio's diversification in chemicals and coal and licensing of its patented chemical processes accounted for 61 percent of the Company's operating income in 1974 and 62 percent in 1975. This income from diversification has been an important factor in sustaining our Company's earnings and in providing capital during this period of major investments for Alaskan oil development.

We have reported to you what Sohio is doing to develop its energy resources—resources which will represent a significant addition to this nation's energy supplies.

Contrast our efforts in Alaska with the criticism the oil industry has received in the press and from certain politicians. Politicians seeking to capitalize on public dissatisfaction with higher petroleum prices have accused Sohio of profiteering on gasoline at times when our entire marketing and refining operations were operating either at a loss or, as in 1975, achieving essentially break-even results.

Such political opportunism has had the unfortunate effect of denying the public an understanding of the complex economic and regulatory forces that affect the petroleum industry today.

While Sohio has been working to bring Alaskan oil to market in the U.S. and others in the industry have been seeking to develop offshore and other domestic oil resources, all have been handicapped and continuously harassed by government legislation and threats of more legislation.

Consider some of the legislation enacted. With the nation already dependent upon imports for more than 35 percent of its petroleum needs, Congress specifically eliminated statutory depletion allowances for oil but not for any other natural resource. Only a few in government faced up to the fact that the elimination of the depletion allowances coupled with the continuation of petroleum price controls would reduce petroleum income and capital available to the oil and gas industry by more than $100 billion in the next ten years.

Then in December the Energy Policy and Conservation Act of 1975 was enacted, extending price controls for the oil industry—but for no other industry. Controls are extended in a way that virtually assures annual direct involvement by both the President and Congress in determining specific petroleum prices. The forces of the marketplace have worked very well over many years in making these determinations. The substitution of government intervention and regulation for competitive market forces can only lead to more shortages and higher costs.

Supply problems for natural gas seem likely to become even more acute if legislation recently passed by the House of Representatives becomes law. This legislation would continue price controls of most natural gas and would extend controls to much of the presently unregulated natural gas.

More extreme legislation also has been introduced in Congress. The threat of this punitive legislation has been a disturbing factor to investors and to lenders who know that an increase in oil and gas development is needed. It is reasonable to expect that responsible leaders in the nation will not jeopardize the economic future and security of the country by further handicapping the industry that must develop these resources. However, proposals before Congress and statements by many prominent politicians raise concern as to whether responsible leadership will prevail.

Proposals to break up the nation's major oil companies failed by less than 15 votes in the U.S. Senate three times in 1975. Some such proposals would forbid oil companies from participating in development of other energy resources such as coal, shale, or uranium. Others would break up oil companies vertically—separate marketing, refining, transportation, and oil-production operations into separate companies. Supporters of that legislation have no proof or basis of assurance that the scattered pieces of the industry could generate or obtain the capital needed to meet today's challenge for greater domestic energy supplies. The threat of such drastic economic experiments comes at the very time greater investment is urgently needed to increase domestic energy production.

Recent proposals by Alaskan legislators of extreme taxes on oil profits are another example of the type of legislative threat that shakes the confidence of investors.

Internationally, oil has become a weapon in world power struggles. In our own country the oil industry has become a focal point of politics. We have not been able to prevent this involvement with politics but all of us in the oil industry have been speaking up for and defending our industry against attacks that seem designed to hamper it in developing greater domestic energy resources.

The Standard Oil Company (Sohio) continued

Sohio's venture in Alaska is warranted both by the potential economic rewards to our Company and by the benefit to the nation. We appreciate the support and confidence of employees and stockholders and of the financial community that is making possible this major addition to the nation's energy supplies.

Extracts from notes

INVESTMENT IN TRANS-ALASKA PIPELINE, PRUDHOE BAY PROPERTIES, AND RELATED COMMITMENTS

Trans-Alaska Pipeline—Expenditures for construction were $1,440 million at December 31, 1975 and $452 million at December 31, 1974. In addition, interest of $135 million at December 31, 1975 and $56 million at December 31, 1974, related to funds borrowed for construction has been capitalized. The estimated cost excluding interest and a contingency allowance (as revised in January 1976) is $7 billion including construction equipment rentals, for a capacity of 1·2 million barrels per day. The Company's share (33·34% undivided interest) is approximately $2·3 billion and future expenditures, excluding interest, are estimated at: 1976—$670 million and 1977-1978—$190 million.

Prudhoe Bay—The Company has expended $783 million at December 31, 1975 and $386 million at December 31, 1974 for lease development, production facilities and special studies. Future expenditures are estimated at: 1976—$410 million and 1977-1978—$350 million. In addition, interest of $35 million at December 31, 1975 and $20 million at December 31, 1974 related to the advance sale of Prudhoe Bay crude oil has been deferred. The Company is further committed for approximately $120 million in 1976 and $120-$150 million in 1977 for the State of Alaska tax on Prudhoe Bay oil reserves which will be creditable against future severance taxes.

Tankers—The Company has contracts (cancellable subject to loss of deposits) for construction of eight tankers to transport Alaskan crude oil. It is anticipated that these contracts for the tankers, estimated to cost $720 million (including interest during construction) will be assigned to others and the Company will enter charter commitments or lease arrangements.

CONSENT DECREE

The Company is subject to a consent decree, in connection with the BP merger, which required divestiture prior to January 1, 1974, of taxable motor fuel sales volume in Ohio amounting to 400 million gallons annually. In 1971, with Department of Justice approval, the Company sold certain subsidiaries and Ohio retail outlets accounting for 150 million of the 400 million gallons. In December 1973 the Company reported to the United States District Court that extensive attempts had been made to comply with the remaining requirements of the decree and that changes in market and supply conditions had made completion practically impossible. The Company filed a motion to be relieved from further compliance. In July 1974, the Court appointed a Special Master to attempt to negotiate the sale of Ohio retail outlets to meet the remaining requirements by the end of 1975. Eleven retail outlets were sold during 1975. In December 1975 the date for compliance was extended to June 1976. In the Company's opinion the final outcome will not have a material effect on the financial position of the Company.

The Standard Oil Company (Sohio)

Figures in $ million

Consolidated Income Statement	**1975**	1974
Sales and operating revenue	**2,697**	2,379
Less excise taxes	**213**	213
	2,484	2,166
Costs and expenses		
Costs and operating expenses	**1,960**	1,707
Selling, general and administrative expenses	**272**	252
Depreciation and depletion	**82**	68
	2,314	2,027
	170	139
Other income	**37**	54
Interest income	**7**	12
Interest expense, net of interest capitalised and deferred: 1975 – $95 million; 1974 – $43 million	**(27)**	(19)
Income before income taxes and extraordinary items	**187**	186
Income taxes applicable to income before extraordinary items	**60**	60
Income before extraordinary items	**127**	126
Extraordinary items, net of applicable income taxes	**—**	22
Net income	**127**	148
Cash dividends paid:		
Preferred and common stock	**50**	37

Summarised Consolidated Balance Sheet		**1975**		1974
Property, plant and equipment after depreciation and depletion		**3,281**		1,747
Investments and other assets		**283**		232
Current assets		**656**		642
		4,220		2,621
Less:				
Current liabilities	**450**		341	
Other liabilities	**32**		20	
Long-term debt	**1,949**		805	
Deferred revenue	**256**		165	
Deferred income taxes	**72**		47	
Preferred stock	**12**	**2,771**	12	1,390
Net assets applicable to common and special stock		**1,449**		1,231

The British Petroleum Company Limited

Subsidiary and associated companies

This list contains the names of the more important subsidiary and associated companies of the group at 31 December 1975 indicating group percentage of equity capital (to nearest whole figure). Those held directly by the parent company are marked with an asterisk, the percentage being that of the group unless otherwise indicated. A complete list of investments in subsidiary companies and of the parent company's investment in associated companies will be attached to the parent company's annual return.

	%	Country of Incorporation
International		
*BP Trading	100	England
BP Exploration	100	Scotland
BP Exploration (Associated Holdings)	100	England
BP Chemicals International	100	England
BP Coal	100	England
BP Proteins	100	England
Scientific Control Systems	100	England
*Tanker Insurance	100	England
Shipping		
BP Tanker	100	England
BP Clyde Tanker	100	England
*BP Medway Tanker	100	England
*BP Thames Tanker	100	England
*BP Tyne Tanker	100	England
*Lowland Tanker	100	England
Société Maritime des Pétroles BP	70	France
*Warwick Tanker	50	England
Europe		
UK		
BP Oil	100	England
Alexander Duckham	100	England
Associated Octel	37	England
Border Chemicals	67	England
BP Aquaseal	50	England
BP-California	50	England
BP-California (Grangemouth)	50	England
BP Oil Development	100	England
BP Petroleum Development	100	England
*BP Properties	100	England
BP Oil Grangemouth Refinery	100	Scotland
BP Oil Kent Refinery	100	England
BP Oil Llandarcy Refinery	100	England
BP Oil Northern Ireland Refinery	100	England
Britannic Estates	100	England
British Pipeline Agency	50	England
Candles	28	England
Cooper Nutrition Products	100	England
*Emerald Offshore Services	45	England
Forth Chemicals	67	England
Honeywill and Stein	100	England
Joseph Batson	100	England
Lubricants Producers	20	England
Murgatroyd's Salt & Chemical	100	England
National Benzole	100	England
Orobis	50	England
*Rankin Kuhn International	100	England
Scottish Oils	100	Scotland
Shell-Mex and B.P.	40	England
Synthite	49	England
United Kingdom Oil Pipelines	24	England
AUSTRIA		
*BP Austria	100	Austria
*Adria-Wien Pipeline	8	Austria
*Transalpine Olleitung in Osterreich	11	Austria

	%	Country of Incorporation
BELGIUM		
*Anglo-Belge des Pétroles	100	Belgium
*BP Belgium (parent 77%)	100	Belgium
*Rotterdam-Antwerpen Pijpleiding (Belgie)	28	Belgium
*Société Belge des Gaz de Pétrole (parent 25%)	50	Belgium
*Société Industrielle Belge des Pétroles	50	Belgium
CYPRUS		
*Cyprus Petroleum Refinery	15	Cyprus
DENMARK		
*BP Olie-Kompagniet	100	Denmark
BP Gas	100	Denmark
FINLAND		
*Suomen BP	100	Finland
FRANCE		
*Société Française des Pétroles BP	70	France
Distugil	50	France
Geostock	17	France
Naphtachimie	30	France
Raffinerie de Strasbourg	23	France
Société du Pipe-line Méditerranée-Rhone	9	France
*Société du Pipe-line Sud-Européen (parent 4%)	6	France
Société Française d'Exploration BP	70	France
Société Interfuel	70	France
Société Streichenberger	39	France
GERMANY		
*Deutsche BP	100	Germany
Aethylen-Rohrleitungs	25	Germany
Alkor-Oerlikon	100	Germany
Deutsche BP Exploration	100	Germany
Deutsche BP und California	50	Germany
Deutsche Transalpine Oelleitung	11	Germany
Erdölchemie	50	Germany
Gewerkschaft Norddeutschland	100	Germany
Nord-West Kavernen	27	Germany
Nord-West Oelleitung	25	Germany
Oelwerke Julius Schindler	100	Germany
Polydress Plastik	50	Germany
Rhein-Main-Rohrleitungstransport	31	Germany
GIBRALTAR		
*BP (Gibraltar)	100	England
GREECE		
*BP of Greece	100	England
GREENLAND		
BP Petroleum Development of Greenland	100	England
ITALY		
*Britannica Petroli (BP)	100	Italy
Italproteine	50	Italy
*Societa Italiana per l'Oleodotto Transalpino	11	Italy
LUXEMBURG		
BP Luxembourg	100	Luxemburg
*Transalpine Finance Holdings	11	Luxemburg

	%	Country of Incorporation
NETHERLANDS		
*British Petroleum Maatschappij Nederland	100	Netherlands
Benzine en Petroleum Handel Maatschappij	100	Netherlands
British Petroleum Exploratie Maatschappij Nederland	100	Netherlands
British Petroleum BV	100	Netherlands
British Petroleum (Overzee)	100	Netherlands
British Petroleum Raffinaderij Nederland	100	Netherlands
Maasvlakte Olie Terminal	27	Netherlands
Nederlandse Maatschappij voor Petroleumgassen	50	Netherlands
Rotterdam-Antwerpen Pijpleiding (Nederland)	28	Netherlands
Trouw	67	Netherlands
NORWAY		
*BP Norge	100	Norway
*BP Petroleum Development of Norway	100	Norway
PORTUGAL		
*Companhia Portuguesa dos Petróleos BP	100	Portugal
REPUBLIC OF IRELAND		
*BP Ireland	100	Ireland
Irish Refining	16	Ireland
SPAIN		
*BP Española de Petroleos	100	Spain
BP Petroleum Development of Spain	100	Spain
SWEDEN		
*Svenska BP	100	Sweden
BP Raffinaderi (Göteborg)	100	Sweden
SWITZERLAND		
*BP (Schweiz)	100	Switzerland
Raffinerie du Sud-Ouest	24	Switzerland
TURKEY		
*BP Petrolleri	100	Turkey
*Anadolu Tasfiyehanesi	17	Turkey
*BP Overseas Refining	100	England
*Kervansaray	100	Turkey
Middle East		
Abu Dhabi Marine Areas	37	England
Abu Dhabi Petroleum	24	England
Abu Dhabi Gas Liquefaction	27	Bermuda
Basrah Petroleum	24	England
BP (Abu Dhabi)	100	England
*BP (Aden)	100	England
*BP (Eastern Agencies)	100	England
BP Exploration (Middle East)	100	England
BP-Japan Oil Development	55	Scotland
BP (Kuwait)	100	England
*BP Refinery (Aden)	100	England
Bunduq	33	England
Iraq Petroleum	24	England
Kuwait Oil	20	Kuwait
Mosul Petroleum	24	England
Oil Trading (Iran)	100	England
Qatar Petroleum	24	England

	%	Country of Incorporation
Africa		
*African Petroleum Terminals	50	USA
*BP Burundi (parent 90%)	100	Burundi
BP Cameroun	100	Cameroon
*BP East Africa Trading	100	England
BP Exploration (Libya)	100	England
BP Gabon	100	Gabon
BP Ghana	100	Ghana
*BP Nigeria	100	Nigeria
*BP Rwanda	100	Rwanda
BP Southern Africa	100	S Africa
*BP Southern Oil	100	England
BP South West	100	England
*BP West Africa	100	England
*Central African Petroleum Refineries	21	Rhodesia
Consolidated Petroleum and its subsidiaries	50	England
*East African Oil Refineries	13	Kenya
*Nigerian Petroleum Refining	20	Nigeria
Offshore Petroleum Explorations (Nigeria)	50	Nigeria
Sentrachem	20	S Africa
Shell and BP South African Petroleum Refineries	50	S Africa
*Shell and BP (Sudan)	50	Sudan
Shell-BP Petroleum Development – Nigeria	50	Nigeria
*Sierra Leone Petroleum Refining	7	Sierra Leone
*Société Africaine de Raffinage	12	Senegal
*Société des Pétroles BP d'Afrique Occidentale (parent 95%)	99	Senegal
*Société des Pétroles BP de Tunisie	100	Tunisia
*Société des Pétroles BP du Maroc	50	Morocco
Société Gabonaise de Raffinage	3	Gabon
*Société Ivoirienne de Raffinage	10	Ivory Coast
*Société Ivoirienne des Pétroles BP (parent 16%)	50	Ivory Coast
*Société Malgache de Raffinage	6	Malagasy
*Société Nigerienne des Pétroles BP (parent 66%)	100	Niger
*Société Togolaise d'Entreposage	20	Togo
*Société Togolaise des Pétroles BP (parent 66%)	100	Togo
*Société Voltaique des Pétroles BP (parent 66%)	100	Volta
South African Lubricants Manufacturing	34	S Africa
Trek Petroleum	18	S Africa
India and Pakistan		
*BP (Indian Agencies)	100	England
*BP (Pakistan)	100	England
Herdillia Chemicals	23	India
Far East		
INDONESIA		
*BP Petroleum Development of Indonesia	100	England
JAPAN		
*BP Far East	100	England
*Olex Lubricants	50	Japan
MALAYSIA		
*BP Malaysia	100	Malaysia

Subsidiary and associated companies (concluded)

	%	Country of Incorporation
SINGAPORE		
*BP Refinery Singapore	100	Singapore
*BP Singapore	100	Singapore
THAILAND		
BP Petroleum Development of Thailand	100	England
Australasia		
AUSTRALIA		
*British Petroleum Company of Australia	100	Australia
BP Australia	100	Australia
BP (Fremantle)	100	England
BP Minerals Australia	100	Australia
BP Petroleum Development Australia	100	Australia
BP Refinery (Kwinana)	100	Australia
BP Refinery (Westernport)	100	Australia
CS BP & Farmers	33	Australia
Kwinana Nitrogen	80	Australia
FIJI		
*BP South-West Pacific	100	Fiji
NEW ZEALAND		
*BP New Zealand Holdings	100	N Zealand
BP New Zealand	100	N Zealand
BP (Oil Exploration) New Zealand	100	N Zealand
BP Shell Aquitaine and Todd Petroleum Development	28	N Zealand
BP Shell Todd (Canterbury) Services	45	N Zealand
Europa Oil (NZ)	60	N Zealand
Europa Refining	60	N Zealand
Maui Development	19	N Zealand
New Zealand Refining	20	N Zealand
Shell BP and Todd Oil Services	38	N Zealand
Shell and BP Pipeline Services	50	N Zealand
PAPUA NEW GUINEA		
Australasian Petroleum	38	Australia
BP (New Guinea)	100	Papua New Guinea
Island Exploration	38	Australia

	%	Country of Incorporation
Western Hemisphere		
CANADA		
*BP Canadian Holdings	100	Canada
BP Canada	66	Canada
BP Exploration Canada	66	Canada
BP Oil	66	Canada
BP Tanker Finance Canada	49	Canada
COLOMBIA		
BP Exploration (Colombia)	100	England
USA		
BP Alaska	100	USA
BP Alaska Exploration	100	USA
BP North America	100	USA
*BP North American Finance	100	USA
BP Pipelines	100	USA
BP United States	100	USA
Standard Oil Company (Sohio)	26	USA
Sohio/BP Trans Alaska Pipeline Capital (68% held by Sohio)	32	USA
Alyeska Pipeline Service (33% held by Sohio)	16	USA

Sohio's main subsidiary companies:

BP Oil
Huron Liberian
Mountaineer Carbon
Prospect International
Sohio-Iran Trading
Sohio Petroleum
Sohio Pipe Line
Sohio Transportation
Vistron

	%	Country of Incorporation
VENEZUELA		
Bio Proteinas de Venezuela	20	Venezuela

Financial calendar

Dividend and interest payments

Ordinary stock	
Interim dividend	Announced in September, paid early November
Final dividend	Proposed in March, paid early May
First preference stock	Paid 31 January and 31 July
Second preference stock	Paid 31 January and 31 July
5% first debenture stock 1974/78	Paid 1 January and 1 July
6% debenture stock 1976/80	Paid 1 January and 1 July

Production control by Abramson Studio, New York.
Printed in the USA by Ivy Hill Lithograph